



THE DRUG ENFORCEMENT ADMINISTRATION'S HANDLING OF CASH SEIZURES

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EXECUTIVE SUMMARY

The Drug Enforcement Administration (DEA) enforces the controlled substances laws and regulations of the United States and investigates organizations and individuals involved in the growing, manufacture, or distribution of controlled substances.¹ To ensure that criminal organizations and individuals do not benefit financially from their illegal acts, federal law provides that profits from drug-related crimes, as well as property used to facilitate certain crimes, are subject to forfeiture to the government. In carrying out its mission, the DEA seized about \$339 million in cash in fiscal year (FY) 2005 from organizations and individuals involved in drug-related criminal activity.

In addition to the DEA, state and local law enforcement agencies also seize cash during their drug enforcement operations. These state and local agencies may transfer seized cash to a federal agency, such as the DEA, for processing through the federal Asset Forfeiture Program (AFP).² Transferred seizures are referred to as "adopted" seizures because the federal agency adopts the seizures made by state or local agencies.

The DEA Agents Manual requires that DEA staff promptly convert cash they directly seize to a cashier's check and promptly transfer cashier's checks, including those adopted from state or local agencies, to the United States Marshals Service (USMS). The DEA is responsible for safeguarding the seized cash from the time it is seized until it is transferred to the USMS. The USMS subsequently manages and disposes of seized and forfeited assets.

Generally, when the DEA seizes cash from organizations or individuals involved in drug-related activities, the agents are supposed to count the cash, if practical, and seal the cash in an evidence bag or container. The agents then take the cash to the local DEA office for safekeeping where the cash is usually stored in the office's overnight vault or security container controlled by the office's evidence custodian. DEA agents later retrieve the cash from the evidence custodian and take it to a bank for an official count

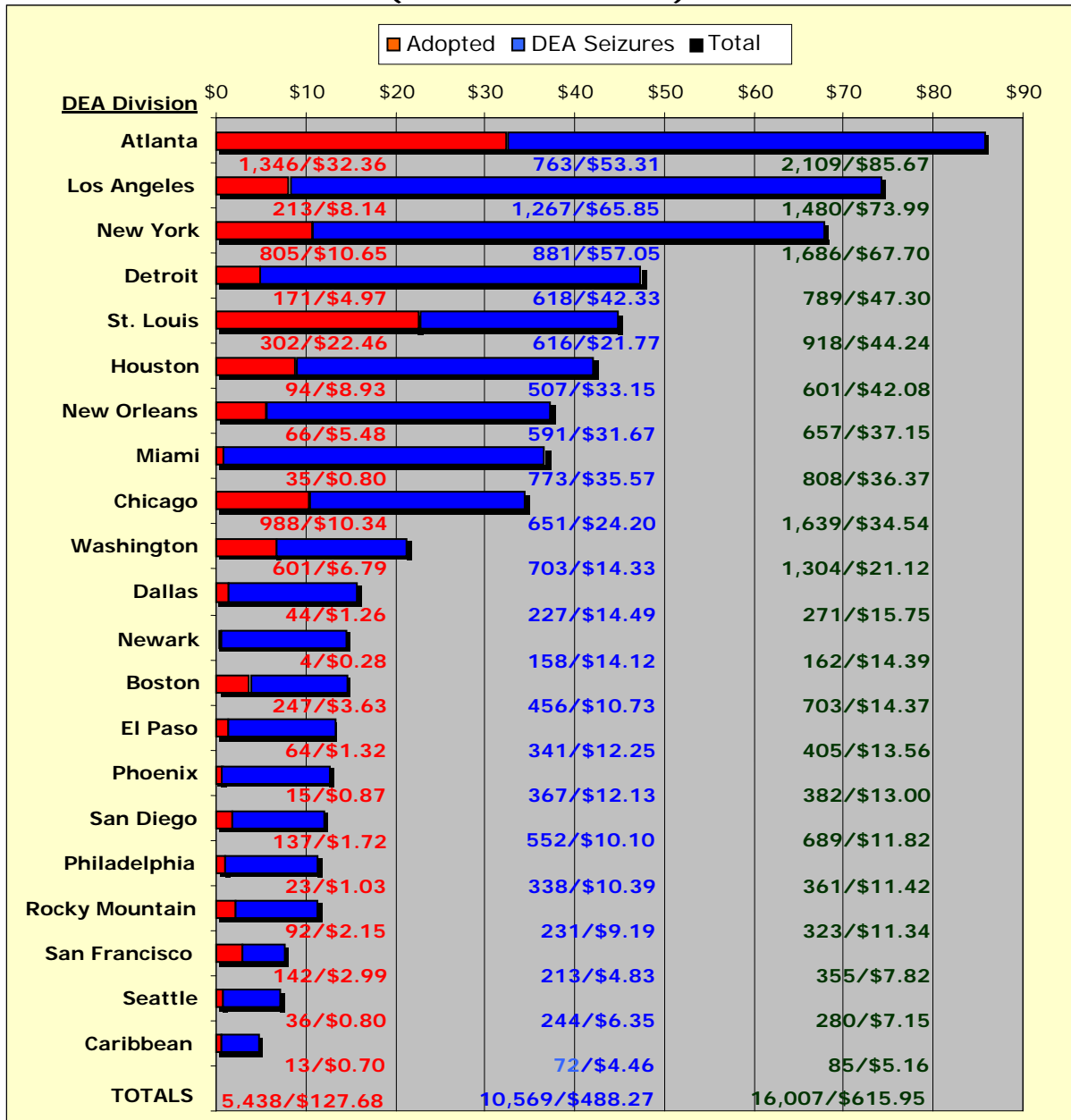
¹ A controlled substance is a drug which has been declared by federal or state law to be illegal for sale or use, but may be dispensed under a physician's prescription.

² The AFP is a federal program for managing seized assets, including cash, used in crime until those assets are returned to the owner or forfeited to the government.

and conversion to a cashier's check. The agents then take the cashier's check back to the DEA office for safekeeping until it is transferred to the USMS. Variations to this process may occur, such as: (1) the DEA agents sometimes take the seized cash directly to the bank, (2) some banks electronically transfer the funds to the USMS instead of issuing the DEA a cashier's check, and (3) the DEA receives a cashier's check instead of cash from state and local law enforcement agencies for seizures adopted by DEA.

The purpose of this audit was to evaluate whether the DEA established and implemented effective controls for safeguarding seized cash. As shown in the following chart, from October 1, 2003, through November 3, 2005, the DEA recorded 16,007 cash seizures totaling almost \$616 million in its Division offices.

**Number and Dollar Value of Cash Seizures
from October 1, 2003, through November 3, 2005
(in millions of dollars)³**



Source: Consolidated Asset Tracking System

³ This chart presents for each DEA Division office the number and amount of adopted cash seizures (in red), the number and amount of DEA cash seizures (in blue), and the number and amount of total cash seizures (numbers only in black). The totals may differ slightly from the sum of the adopted and DEA amounts due to rounding. All data shown is for the period October 1, 2003, through November 3, 2005, except for the Washington Division data which is for the period October 1, 2003, through September 30, 2005.

To assess the adequacy of the DEA's controls for safeguarding seized cash, we selected a statistical sample of 742 cash seizures valued at \$44,980,718 from 7 DEA Divisions.⁴ The details of our testing methodologies are presented in our Objective, Scope, and Methodology contained in Appendix I. The statistical sampling techniques we used are presented in Appendix II.

Audit Results

Our audit found that while the DEA had established internal control policies for safeguarding seized cash, some of those policies need to be strengthened. For example, the DEA should: (1) better define situations when seized cash should be counted immediately by the seizing agent or officer, (2) define a timeframe for seized cash to be taken to the bank to ensure that offices minimize the time during which they hold seized cash and particularly seized cash that the offices do not count, and (3) speed the transfer of seized cash to the USMS by mandating the use of wire transfers where possible.

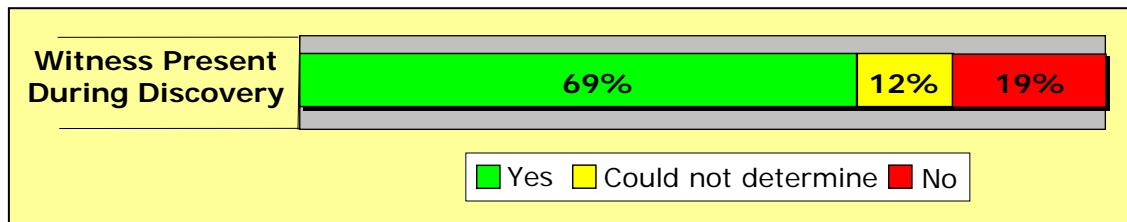
Even more important, our audit testing at 28 DEA offices found that the DEA had not adequately implemented many of its existing internal control policies regarding cash seizures, including maintaining documentation demonstrating compliance with the policies. The results of our testing are discussed in the following sections.

Control Tested: According to the DEA Agents Manual, when cash is discovered, a witnessing agent or task force officer should immediately be summoned to witness the handling of the cash.

Test Results: As shown in the following chart, DEA documents did not reflect that a witnessing agent or officer was present in 31 percent of the seizures tested.

⁴ Our statistical sample was derived from a sample universe of 3,705 seizures valued at \$160,680,618. As previously stated, the overall universe was 16,007 seizures valued at \$616 million. Appendix I includes a detailed discussion of why certain cash seizures were excluded from our sample universe based on requests from the DEA or based on the results of our preliminary testing.

Presence of a Witnessing Agent or Officer when Cash was Discovered⁵



Source: OIG analysis of DEA records

The detailed results for each office and Division tested are presented in Appendix III. Among the 28 DEA offices tested, the compliance rate ranged from 100 percent in 4 offices to 22 percent in 1 office.

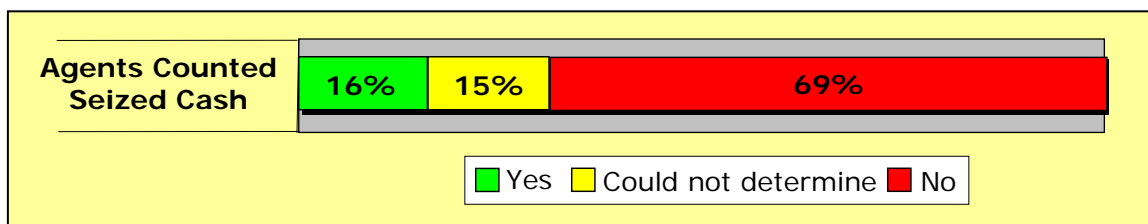
DEA officials told us that based on their extensive prior experience in managing investigations they believed a witness was usually present when the cash was discovered, but that the agents failed to document that fact. However, without such documentation, we cannot confirm whether or not a witness was actually present during discovery of the cash in these instances. Moreover, a failure to document the presence of a witness, if one was present, violated DEA policies.

Control Tested: According to the DEA Agents Manual, if the amount of cash seized is such that an immediate count is practical, a count is to be conducted by the seizing agent and a witnessing agent or officer.

Test Results: As shown in the following chart, in most cases the documentation we reviewed showed that the DEA agents rarely counted the cash upon seizure.

⁵ "Yes" means documentation showed that a witnessing agent or officer was involved. "No" means documentation showed that only one agent or officer was involved. "Could not determine" means the documentation did not provide sufficient information to confirm whether a witnessing agent or officer was involved. Based on our statistically valid projected point estimates, the percentages reported in this analysis of the sampled items are within plus or minus 5 percentage points of what they would have been if the entire population had been tested.

Counting Seized Cash⁶



Source: OIG analysis of DEA records

The detailed results for each office and Division tested are shown in Appendix IV. The results showed a wide disparity in the implementation of this control among the 28 DEA offices we tested. The rate at which the control was implemented ranged from 63 percent in 1 office to 0 percent in 11 offices.

While DEA's written policy in the DEA Agents Manual is to count seized cash when "practical," many DEA officials we interviewed did not understand this policy. DEA officials in nine of the offices we tested erroneously told us they believed it was the DEA's policy that agents should not count the seized cash. These officials told us they do not count the cash to avoid any discrepancies between the agents' counts and the official bank counts that could lead to additional paperwork and could subject the agents to an investigation for possible theft of funds.

However, the DEA's practice of not counting seized cash when practical significantly increases the risk of loss, theft, and claims by persons from whom the currency was seized.

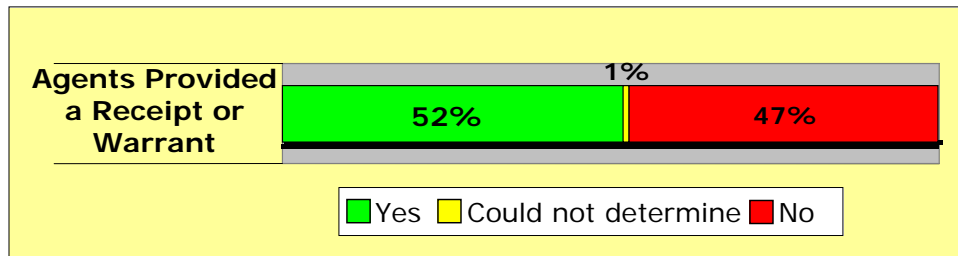
Control Tested: The DEA Agents Manual requires agents to issue a Form DEA-12 (DEA-12), Receipt for Cash or Other Items, to the person from whom the cash was seized showing either the amount seized or that "an undetermined amount of U.S. currency pending an official count" was

⁶ For the test of whether agents counted the seized cash, "Yes" means documentation showed that agents counted the cash. "No" means documentation showed that agents did not count the cash. "Could not determine" means the documentation did not provide sufficient information to confirm whether the agents counted the cash. Based on our statistically valid projected point estimates, the percentages reported in this analysis of the sampled items are within plus or minus 5 percentage points of what they would have been if the entire population had been tested. This range varies for the statistical results of each control we tested.

seized.⁷ When currency is seized as the result of a seizure warrant, agents are not required to issue a DEA-12.⁸ Instead, the officers are required to either provide a copy of the warrant with a list of the items seized to the person from whom the items were seized; or leave a copy of the warrant and list of items seized at the seizure location if the person from whom the items were seized is not present.

Test Results: As shown in the following chart, the documentation we reviewed did not indicate that the DEA agents regularly issued a receipt or warrant to the owner of the seized cash.

Agents Provided a Receipt or Warrant to the Owner of the Seized Cash⁹



Source: OIG analysis of DEA records

The detailed results for each office and Division tested are shown in Appendix V. Among the 28 DEA offices tested, the compliance rate ranged from 100 percent in 3 offices to 0 percent in 3 offices.

⁷ The DEA-12, Receipt for Cash or Other Items, is a multipurpose form used to document the following seizure actions: (1) providing a receipt to the owner or person claiming ownership of property that is seized, (2) documenting the return of property held less than 5 working days, (3) placing non-drug evidence into temporary custody, and (4) recording the short-term transfer of non-drug evidence exhibits between agents and evidence custodians or other law enforcement personnel for production in court.

⁸ A seizure warrant is a written order by the court authorizing the search or seizure of property.

⁹ "Yes" means documentation showed that agents provided a receipt or warrant to the owner of the cash. "No" means documentation showed that agents did not provide a receipt or warrant to the owner of the cash. "Could not determine" means the documentation did not provide sufficient information to confirm whether the agents provided a receipt or warrant to the owner of the cash. Based on our statistically valid projected point estimates, the percentages reported in this analysis of the sampled items are within plus or minus 2 percentage points of what they would have been if the entire population had been tested.

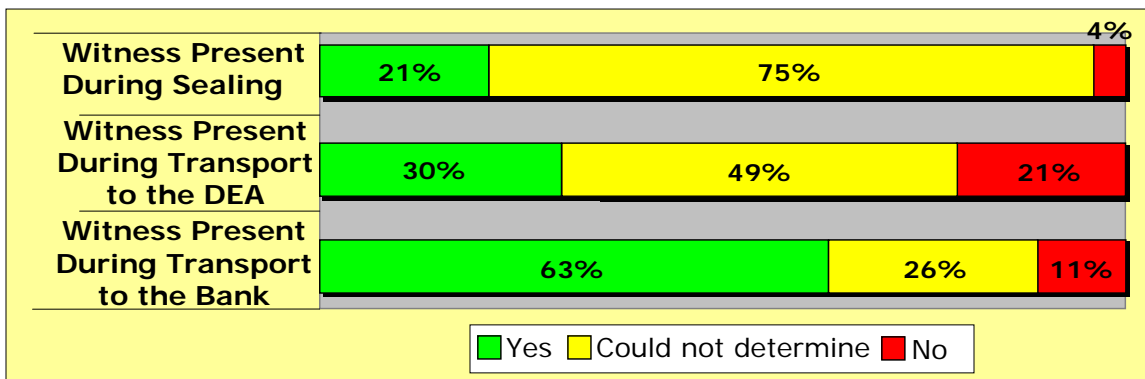
DEA officials told us that based on their extensive prior experience in managing investigations they believed a DEA-12 or warrant was usually provided to the owner of the seized cash, but that the agents did not document that action. However, without such documentation we cannot confirm whether or not a DEA-12 or warrant was provided to the owner. Moreover, failing to issue a warrant and maintain this required documentation violated DEA policies.

Controls Tested: According to the DEA Agents Manual, a DEA agent or Task Force Officer and another witnessing agent should also be present when the seized cash is secured in a Heat Sealed Evidence Envelope and when the cash is transported to the local DEA office or the bank for an official count.¹⁰

Test Results: As shown in the following chart, the DEA did not maintain documentation indicating that a witnessing agent or officer was present, as required by DEA policy at the various stages of the cash handling process.

¹⁰ A Heat Sealed Evidence Envelope is a clear plastic bag or other suitable container used to hold seized currency or other property. With limited exceptions, the envelope or other container should not be opened until the currency is transported to a bank for conversion to a cashier's check, or processed as an evidentiary exhibit. When an evidence container has been opened, the evidence and all parts of the old evidence container should be put in a new evidence bag or container and resealed. Details of the opening and resealing of the container should be recorded on a Form DEA-6, Report of Investigation.

Presence of a Witnessing Agent or Officer at Various Stages of the Cash Handling Process¹¹



Source: OIG analysis of DEA records

The detailed results for each office and Division tested are shown in Appendix VI. Among the 28 DEA offices we tested, we found that:

- the compliance rate for having a witness present during sealing of the cash ranged from 89 percent in 1 office to 0 percent in 11 offices,
- the compliance rate for having a witness present during transport to the DEA ranged from 79 percent in 1 office to 0 percent in 5 offices, and
- the compliance rate for having a witness present during transport to the bank ranged from 100 percent in 4 offices to 6 percent in 1 office.

DEA officials told us that based on their extensive prior experience in managing investigations they believed witnesses were usually present when the cash was sealed in the evidence envelope and that the evidence envelope contained the signature of the witnessing agent. However, the DEA discarded the evidence envelopes after the cash was counted by the

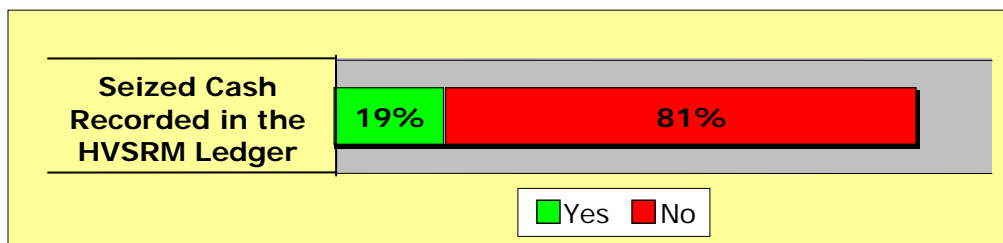
¹¹ "Yes" means documentation showed that a witnessing agent or officer was involved. "No" means documentation showed that only one agent or officer was involved. "Could not determine" means the documentation did not provide sufficient information to confirm whether a witnessing agent or officer was involved. Based on our statistically valid projected point estimates, the percentages reported in this analysis of the sampled items are within plus or minus: (1) 6 percentage points of what they would have been if the entire population had been tested for the test of a witness present during sealing of the cash, (2) 6 percentage points for the test of a witness present during transport of the cash to the local DEA office, and (3) 2 percentage points for the test of a witness present during transport of the cash to the bank.

bank and usually did not document in other case records that a witness was present during sealing of the cash in the evidence envelope. The DEA officials also told us that they believed witnesses were usually present when the cash was transferred to the local DEA office and to the bank, but the agents did not document this fact. However, without such documentation we cannot confirm whether or not a witness was actually present during sealing of the cash in the evidence envelopes or during transport of the cash to the DEA office and bank.

Control Tested: Beginning January 1, 2005, DEA required that all high-value seized items, including cash, cashier’s checks, and recovered Official Advanced Funds valued at \$1,000 or more be recorded in a High-Value Seized and Recovered Monies (HVS RM) ledger.¹²

Test Results: As shown in the following chart, the documentation we reviewed showed that the evidence custodians consistently did not record cash seized in the HVS RM ledger.¹³

Recording Seized Cash in the HVS RM Ledger¹⁴



Source: OIG analysis of DEA records

The detailed results for each office and Division we tested are shown in Appendix VII. Among the 28 DEA offices tested, the compliance rate ranged from 100 percent in 2 offices to 0 percent in 21 offices.

¹² Recovered Official Advanced Funds are DEA-appropriated monies previously expended for the purchase of evidence or lost through theft during undercover or similar operations that was recovered by the DEA.

¹³ An evidence custodian is a DEA employee designated to maintain custody and accountability over seized property.

¹⁴ “Yes” means documentation showed that the cash seizure tested was recorded on the HVS RM ledger. “No” means documentation showed that the cash seizure tested was not recorded on the HVS RM ledger. Based on our statistically valid projected point estimates, the percentages reported in this analysis of the sampled items are within plus or minus 5 percentage points of what they would have been if the entire population had been tested.

We found that many cash seizures were not being recorded in the HVSRM ledgers because DEA offices were not using the ledgers as intended. For the 28 DEA offices we tested, we found that only 6 offices (21 percent) used the HVSRM ledger to record all types of high-value seized and recovered items. The remaining 22 DEA offices either used the HVSRM ledger to record some types of high-value items but not others, or did not use the HVSRM ledger at all.

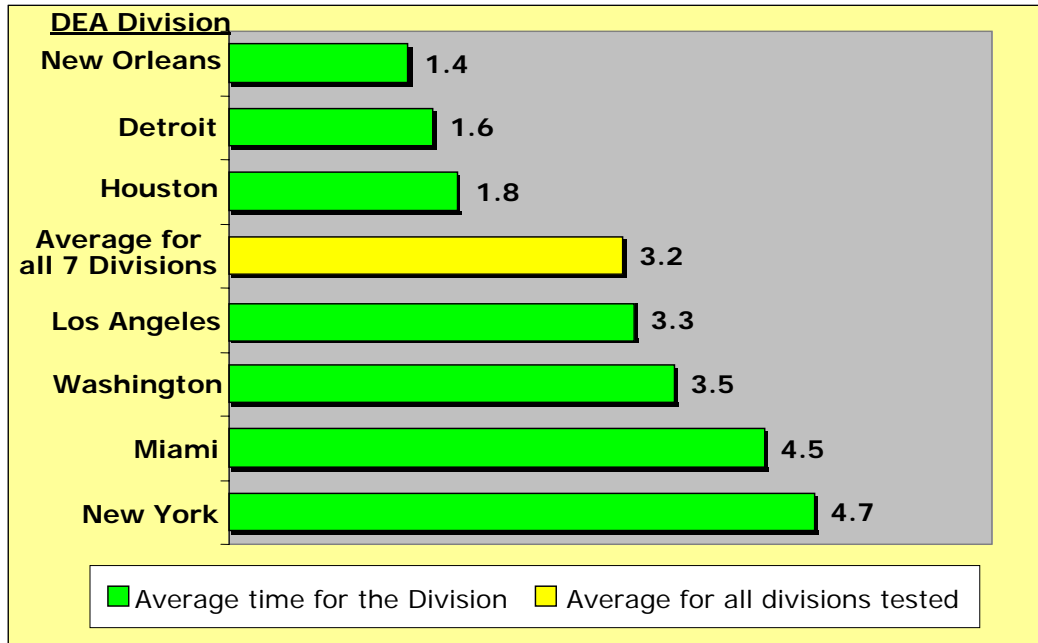
We attribute the disparity in how different DEA offices used the HVSRM ledgers to the evidence custodians not having attended current training on DEA's cash handling procedures. Not recording seized cash on the ledgers can cloud the chain-of-custody for seized cash and potentially can lead to problems in prosecuting the case. It also increases the risk that seized cash could be lost or stolen without detection.

Control Tested: The DEA Agents Manual requires agents to transfer seized cash to the bank for an official count and conversion to a cashier's check as soon as arrangements can be made with the bank.¹⁵

Test Results: As shown in the following chart, in most cases the documentation we reviewed showed that the DEA transported seized cash to the bank in a timely manner. Overall, the average time from seizure to transporting the seized cash to the bank was 3.2 working days. Three of the seven divisions we tested had average times at or below the average and the other four divisions had average times ranging from 3.3 to 4.7 working days. The detailed test results for each office we tested are shown in Appendix VIII.

¹⁵ This control became effective on April 5, 2005. Prior to this date, the DEA's policy required that for unknown amounts of cash agents were to transport the cash to the bank for an official count and conversion to a cashier's check on the next business day following the seizure. If the exact amount was known, the agents were to transport the cash to the bank within 5 working days.

Average Number of Working Days from Seizure to Transport of Cash to the Bank (By Division)



Source: OIG analysis of DEA records

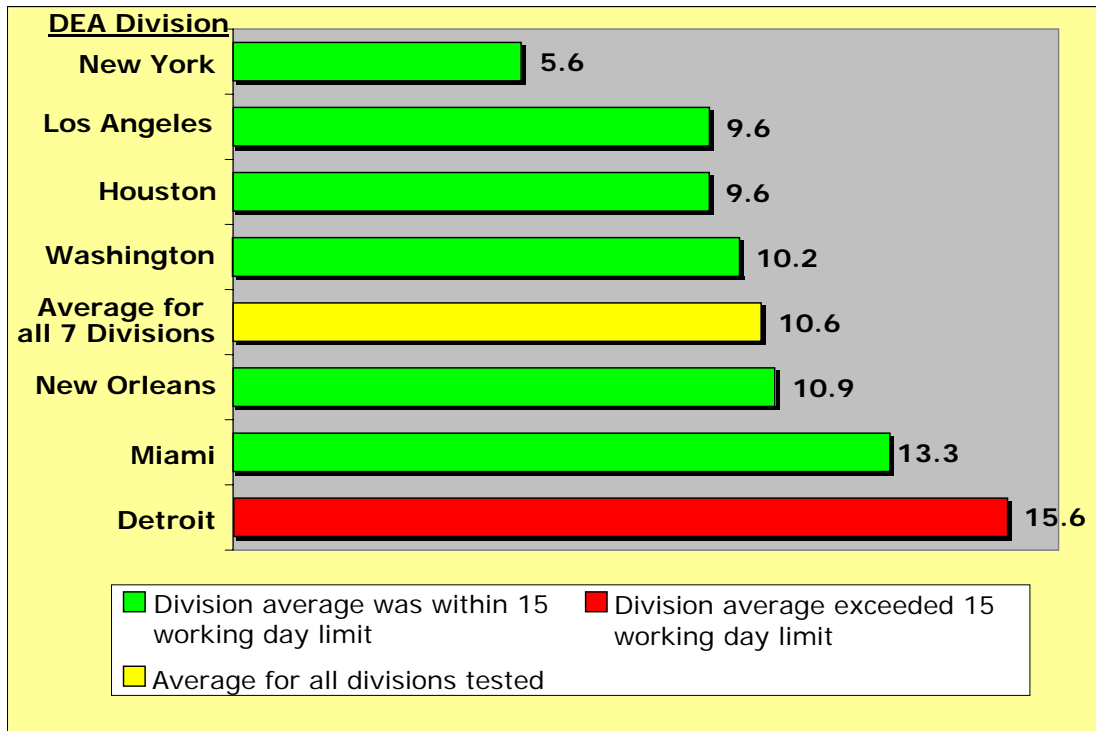
We found that some offices took seized cash to the bank much sooner than others. As shown in Appendix VIII, for the 28 DEA offices we tested the average working days from when the cash was seized to when it was taken to the bank ranged from a low of 0.5 days in one office to 7.4 days in another office. Seventeen (61 percent) of the 28 offices were at or below the average of 3.2 working days, while 11 offices (39 percent) were above the average. The disparity resulted because some offices required agents to take the cash to the bank daily, while other offices required weekly trips to the bank. Other offices did not have set schedules for taking cash to the bank but instead made impromptu bank trips when agents were available. While most of the offices took the cash to the bank in a timely manner, the DEA should review the cash handling processes in the most timely Divisions – New Orleans, Detroit, and Houston – to determine if those processes can be used in other offices to reduce the time that cash is on hand.

Control Tested: According to the DEA Agents Manual, seized property that is subject to forfeiture and not retained as evidence must be transferred to the custody of the USMS within 15 working days of seizure.

Test Results: As shown in the following chart, with the exception of the Detroit Division the documentation we reviewed showed that the DEA generally transferred seized cash to the USMS in a timely manner. Overall, the average time from seizure to transfer of the seized cash to the USMS

was 10.6 working days. Four of the seven divisions had average times of 5.6 to 10.2 working days and the other three divisions had average times ranging from 10.9 to 15.6 working days as shown in the following chart. The detailed results for each office we tested are shown in Appendix IX.

Average Number of Working Days from Seizure to Transfer of Cash to the USMS



Source: OIG analysis of DEA records

While the overall averages for 6 of the 7 divisions tested were within the 15 working day limit established by the DEA, we found that 10 of the 28 individual DEA offices tested exceeded the limit for the cash seizures we tested. As shown in the chart at Appendix IX, for the sample seizures tested the average time from seizure to transfer of the cash to the USMS for these 10 offices ranged from 15.2 to 28.8 working days. Of the 116 seizures we tested in the 10 offices, 74 seizures were transferred to the USMS after more than 15 working days. Some offices had the banks wire the funds directly to the USMS instead of obtaining a cashier’s check from the bank and then providing the check to the USMS. None of the 10 offices that exceeded the 15-day limit used the wire transfer process. The DEA Agents Manual encourages Divisions to collaborate with the USMS to arrange for wire transfers in cities where this procedure is not already in place. We believe that the use of wire transfers could significantly reduce the amount of time that seized funds remain in the possession of the DEA and reduce the risk of loss.

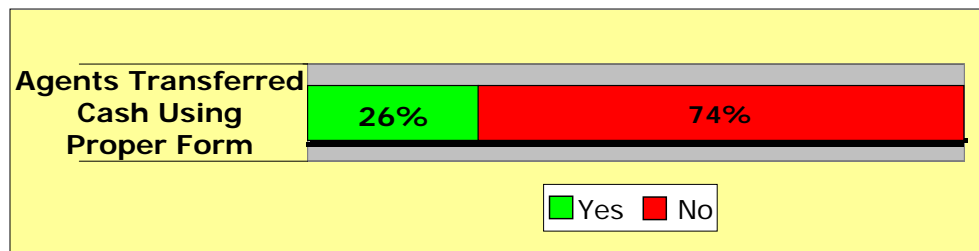
Control Tested: According to the DEA Agents Manual, DEA employees are required to use a DEA-12, signed by the transferring agent and witnessed by another law enforcement employee, to document the transfer of any high-value item to the evidence custodian. In some cases, DEA guidance allows the transfer of cash using the DEA-12 or another acceptable form, such as the DEA-7a, or Standard Seizure Form (SSF).¹⁶ When cash is seized and taken to the local DEA office during regular duty hours, the agent is to release custody of the seized cash to the evidence custodian using a DEA-12, DEA-7a, or SSF. After regular duty hours, the agent is required to place the cash in temporary overnight storage using a DEA-12 or DEA-7a and make an entry in the temporary overnight ledger.¹⁷ Copies of the DEA-12, DEA-7a, and SSF documenting the delivery of the cash are to be put in the case files and preserved as part of the chain-of-custody records.

Test Results: As shown in the following chart, the documentation we reviewed showed that agents in many of the DEA offices did not use a DEA-12, DEA-7a, or SSF to document the transfer of seized cash when placing the seized cash into temporary overnight storage for the evidence custodian or when transferring the cash directly to an evidence custodian.

¹⁶ The DEA-7a is a form for documenting the acquisition of non-drug property. The SSF is a 5-page form that includes case and asset information, names and addresses of potential claimants, and other details such as probable cause and chain-of-custody information.

¹⁷ According to the DEA Agents Manual, temporary storage refers to a safe, locker, or other secure place. Many DEA offices have bank-style night drops or similar facilities for overnight temporary storage of high-value items such as cash. Agents are not permitted to store seized currency in locked desks, unoccupied vehicles, or hotel rooms.

Transfer of Cash to the Evidence Custodian Using the Proper Chain-of-Custody Form¹⁸



Source: OIG analysis of DEA records

The detailed results for each office and Division we tested are shown in Appendix X. Among the 28 DEA offices we tested, the compliance rate ranged from 100 percent in 1 office to 0 percent in 16 offices.

The evidence custodians and other DEA officials in the offices we tested told us that making an entry in the HVSRM ledger was sufficient to document the transfer of the currency to an evidence custodian. However, we found instances where the transfer of cash to the evidence custodian was not documented on the proper chain-of-custody form and the cash was not recorded in the HVSRM ledger. Therefore, it is critical that the chain-of-custody forms be completed when transferring seized cash to ensure that accountability of the cash is maintained.

Conclusion and Recommendations

In summary, while the DEA had issued comprehensive policies for safeguarding seized cash, we found areas in which the policies needed strengthening. We believe the DEA needs to: (1) better define when seized cash should be counted immediately by the seizing agent or officer, (2) define a timeframe for seized cash to be taken to the bank to ensure that offices minimize the time during which they hold all seized cash and particularly the seized cash that the offices do not count, and (3) speed the transfer of seized cash to the USMS by mandating the use of wire transfers where possible.

¹⁸ "Yes" means documentation showed that the agents transferred the seized cash to the evidence custodian using a DEA-12 or other appropriate form. "No" means documentation showed that the agents transferred the seized cash to the evidence custodian without using a DEA-12 or other appropriate form. "Could not determine" means the documentation did not provide sufficient information to confirm whether agents transferred the seized cash to the evidence custodian using a DEA-12 or other appropriate form. Based on our statistically valid projected point estimates, the percentages reported in this analysis of the sampled items are within plus or minus 3 percentage points of what they would have been if the entire population had been tested.

In addition, we also found that the DEA did not follow, or did not document that it followed, many established critical internal control policies. For most seizures we tested, we found no documentation indicating that a witnessing agent or task force officer was present at critical stages of the cash handling process. Further, we found many instances in which agents and task force officers generally did not count the seized currency; did not provide a receipt to the subject from whom the currency was taken; did not complete documents transferring custody of the currency to an evidence custodian; and did not record the receipt, transfer, or disposal of the currency in a temporary or permanent control ledger.

The DEA's failure to either implement these controls, or document that the established controls were implemented, occurred primarily because DEA agents and evidence custodians had not received the DEA's current training on handling seized cash. In addition, we found DEA agents were in need of additional guidance on how to document that established controls were followed.

Failure to establish effective controls for safeguarding seized cash can lead to discrepancies, accusations of theft, or misappropriation of seized cash. We identified 12 instances where either the DEA's Office of Professional Responsibility (OPR) or the OIG's Investigations Division investigated allegations of stolen or missing seized cash and the investigations showed that DEA personnel did not follow established controls for safeguarding the seized cash. Problems identified include agents not counting the seized cash, not providing a DEA-12 receipt to the suspect, and transporting the seized cash without a witness present.

In this report, we make the following recommendations to improve the DEA's handling of seized cash.

- Clarify the policy on when seized cash should be counted to clearly define the circumstances under which it is and is not appropriate to count cash at the time of seizure.
- Research best practices associated with timely transport of seized cash to banks and implement those practices as widely as possible.
- Ensure that seized cash transported to banks is wire-transferred to the USMS whenever possible.
- Issue to all staff involved in cash seizure activities periodic reminders of the internal controls to be followed and documented.

- Instruct DEA staff who supervise cash handling activities to monitor documentation, such as the Report of Investigation (DEA-6) and other cash handling forms completed by agents, to ensure the forms are sufficiently detailed to show that cash handling controls are followed. In addition, instruct the supervisors to ensure that the required forms are maintained in the case files.
- Identify all evidence custodians who have not attended the DEA's comprehensive classroom training course that includes training on cash handling controls and ensure the custodians attend the training.
- Ensure that periodic reviews and inspections contain steps to measure DEA's implementation of the cash handling controls for counting seized cash and for transporting seized cash to the bank in a timely manner.

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INTRODUCTION

Background

The Drug Enforcement Administration's (DEA) mission is to: (1) enforce the controlled substances laws and regulations of the United States; and (2) bring to justice those organizations and individuals involved in the growing, manufacture, or distribution of controlled substances.¹⁹ To ensure that criminal organizations and individuals do not benefit financially from their illegal acts, federal law provides that profits from drug-related crimes, as well as property used to facilitate certain crimes, are subject to forfeiture to the government. The Department of Justice (Department) established the Asset Forfeiture Program (AFP) to manage the Department's efforts to seize assets, including cash, used in the illegal drug trade and to forfeit those assets to the government.

While the DEA is the primary Department component involved in the forfeiture of cash seized during drug enforcement investigations, state and local law enforcement agencies also seize cash during their drug enforcement operations. Those efforts are not part of the AFP, but assets seized solely through the efforts of state and local law enforcement agencies may be transferred for forfeiture to a federal agency such as the DEA that participates in the AFP. Transferred seizures are referred to as "adopted" seizures because the federal agency adopts the seizures made by the state or local agencies. The federal adoption of seizures is sometimes more advantageous to state and local law enforcement agencies because some state or local laws require that seized funds be returned to the agency's general fund instead of being used directly by the state or local law enforcement agency. When a federal agency adopts the seizure, the state or local agency that conducted the seizure often receives a share of the funds seized and those funds must be used for law enforcement purposes. In adopted seizures, the state or local agency usually converts the seized cash to a cashier's check and transfers the cashier's check to the DEA.

The DEA's policy is that its staff should promptly convert cash they directly seize to a cashier's check and promptly transfer the cashier's checks, including those adopted from state or local agencies, to the

¹⁹ A controlled substance is a drug which has been declared by federal or state law to be illegal for sale or use, but may be dispensed under a physician's prescription. The basis for control and regulation is the danger of addiction, abuse, physical and mental harm (including death), the trafficking by illegal means, and the dangers from actions of those who have used the substances.

United States Marshals Service (USMS). According to 28 Code of Federal Regulations, Part 0, Subpart T, Section 0.111, (i), the USMS serves as custodian of seized and forfeited assets. The USMS also provides information and assistance to prosecutors to make decisions about assets targeted for forfeiture. To manage the disposal of seized cash or other seized assets that have been converted to cash, the USMS administers the Seized Asset Deposit Fund (SADF) and the Assets Forfeiture Fund (AFF).

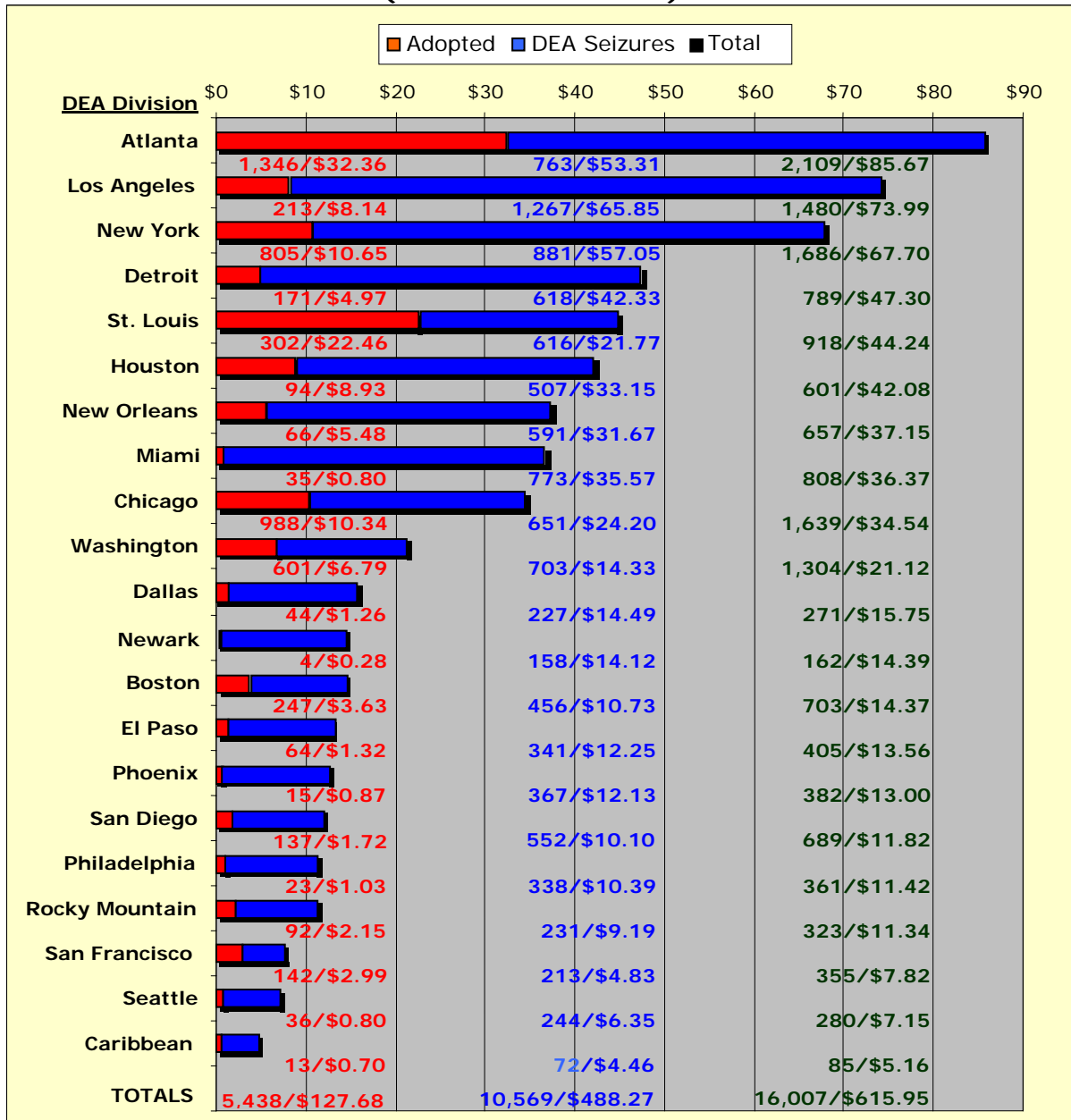
The SADF serves as a repository for seized funds until the funds are either forfeited to the government or returned to the owner. Because seized funds held in the SADF are not government property, the funds cannot be spent by the government. Upon successful completion of forfeiture actions, the USMS transfers seized funds from the SADF to the AFF where the funds can be used to cover expenditures in support of the AFP. Allowable uses include:

- asset management expenses incurred in connection with the seizure, inventory, appraisal, packaging, movement, storage, maintenance, security, and disposition of the assets;
- investigation and prosecution-related expenses;
- payments of third party interests against the seized asset, including those incurred in the payment of valid liens, secured mortgages, and debts owed to qualified general creditors;
- equitable sharing payments to state and local agencies that participated in the law enforcement effort resulting in forfeiture; and
- other program management expenses such as supplies, equipment, rent, travel, and other services.

The Department uses an information technology system called the Consolidated Asset Tracking System (CATS) to track assets seized by federal law enforcement agencies or those seized by state or local law enforcement agencies and adopted by the DEA. For each item seized by the DEA and other Department components, CATS contains data on the seizing agency, date of seizure, value at seizure, current value, agency with custody of the asset, custody start and end dates, and disposition date.

As shown in the following chart, the CATS data reflect that from October 1, 2003, through November 3, 2005, the DEA made or adopted 16,007 cash seizures totaling almost \$616 million.

**Number and Dollar Value of Cash Seizures
from October 1, 2003, through November 3, 2005
(in millions of dollars)²⁰**



Source: Consolidated Asset Tracking System

²⁰ This chart presents for each DEA Division office the number and amount of adopted cash seizures (in red), the number and amount of DEA cash seizures (in blue), and the number and amount of total cash seizures (numbers only in black). The totals may differ slightly from the sum of the adopted and DEA amounts due to rounding. All data shown is for the period October 1, 2003, through November 3, 2005, except for the Washington Division data which is for the period October 1, 2003, through September 30, 2005.

Prior Audits, Inspections, and Reviews

General Accounting Office Report

In a November 1999 report, the General Accounting Office (GAO) reported on the DEA's controls over seized drugs and weapons.²¹ While the GAO did not examine controls over seized cash, it addressed related controls over other forms of evidence and reported problems very similar to those we identify in this report. The GAO found that the DEA had established numerous policies and procedures to control and safeguard drug and weapon evidence in its custody. However, the GAO concluded that based on its work at four Division offices and laboratories and the results of the DEA's internal inspections performed from March 1996 through August 1998, specific actions were needed to strengthen accountability over and safeguarding of drug and weapon evidence. The GAO stated that such actions would help reduce the potential for theft, misuse, or loss of drug and weapon evidence and the risk of evidence being compromised for federal prosecution purposes while in DEA custody.

The GAO recommended that the DEA take appropriate steps to reinforce its adherence to existing DEA policies regarding:

- requiring that two signatures be recorded on evidence labels prior to acceptance by laboratory and division office evidence custodians;
- maintaining complete and properly reviewed documentation in the laboratory seizure files; and
- maintaining complete and accurate information in logbooks.

In its comments on the GAO report, the DEA agreed that the accountability and safeguarding of evidence is of critical importance, but stated that the GAO did not emphasize the significant actions that the DEA had taken to ensure its policies and procedures were followed. However, the DEA indicated that it would take the appropriate steps to reinforce its adherence to existing policies or to implement new policies as recommended by the GAO.

²¹ General Accounting Office, Report Number AIMD-00-17, *Seized Drugs and Weapons: DEA Needs to Improve Certain Physical Safeguards and Strengthen Accountability*, November 1999. On July 7, 2004, the General Accounting Office was renamed the Government Accountability Office.

DEA's Office of Inspections Reports

In a February 2001 review, the DEA Office of Inspections reported that the DEA's problems with custodial accountability remained unresolved.²² The report found that: (1) evidence custodians received little or no training regarding proper handling of seized and recovered monies, (2) the DEA Agents Manual regarding when to record money on a Standard Seizure Form (SSF) or a DEA Form-7a was confusing and subject to different interpretations, and (3) evidence custodians had no point-of-contact to answer questions about handling seized monies.²³ The DEA also found that agents were confused as to when they should use an SSF and when they should use a Form DEA-7a to submit evidence to evidence custodians for safekeeping.

The DEA Office of Inspections also performs cyclical inspections of Division field offices. These inspections cover key program areas, including the handling of seized and recovered cash. The DEA issues inspection reports outlining inspection findings and requires Division offices to take appropriate corrective actions. We requested that the DEA provide us with all DEA Division inspection reports since July 2002 that contained findings related to the handling of seized and recovered monies. In response to our request, the DEA provided us with 11 inspection reports covering the DEA Divisions of Atlanta, Boston, Chicago, Dallas, Denver, Houston, Miami, Newark, New York, San Diego, and Washington, D.C. The reports identified the following deficiencies related to the handling of seized and recovered cash.

- In a June 2003 follow-up inspection in the Atlanta Division, inspectors reported that in several field offices a review of

²² Drug Enforcement Administration, Office of Inspections. *Review of Custodial Accountability for: Drug Evidence, Non-Drug Evidence, Seized Monies, Recovered Monies, and Technical Equipment*, February 2001.

²³ The Form DEA-7a, Acquisition of Non-Drug Property, is used to document the acquisition of non-drug property held by the DEA in excess of 5 working days. This form is also used to: (1) record the receipt or delivery of non-drug evidence or high-value items to the evidence custodians; (2) submit recovered "buy money" into evidence; (3) request analysis by a DEA laboratory; (4) document entry of non-drug evidence into the Enhanced Non-Drug Evidence Database System; and (5) support high-value item balances reported quarterly on the High-Value Evidence and Safekeeping Report (HVESR), formerly known as the Non-Drug Evidence Report. The Standard Seizure Form (SSF) is a 5-page form that includes case and asset information, names and addresses of potential claimants, and other details such as probable cause and chain-of-custody information. Agents are required to complete the SSF within 10 working days of seizure. Information from the SSF is entered into CATS for assets that will be forfeited.

investigative case files revealed improper handling of evidence, incomplete or missing documentation, and poor record-keeping practices. The report also stated that the self-inspection conducted by the Atlanta Division reported “almost no deficiencies” or “minor deficiencies” in the program areas reviewed.

- In the March 2005 inspection of the Dallas Division, evidence logbooks were not properly maintained, seized and recovered monies were not properly stored, and quarterly audits of currency evidence were not conducted.
- In the January 2003 inspection of the San Diego Division, 21 evidence exhibits had been out of the custody of the evidence custodian for periods of 70 to 1,358 days without proper authorization. In addition, paperwork for 415 evidence exhibits was submitted from 30 to 180 days late.
- In the September 2002 inspection of the Washington, D.C. Division, evidence custodians were not DEA employees as required by DEA policy, evidence logbooks were not properly maintained, seized and recovered monies were improperly stored, and inventories of monies were not being conducted.
- In the June 2004 inspection of the Denver Division, the Resident Agent-in-Charge did not provide a safe in the non-drug evidence vault to store seized and recovered monies as required.
- In the July 2004 inspection of the Houston Division, the quarterly and annual inventories were being conducted by the seized monies custodian instead of by two disinterested parties and the inventories were not being recorded in the seized monies logbook.
- In the September 2001 inspection of the New York Division, the inspection found seized cash documents and \$157 in seized currency unattended.
- In the August 2002 inspection of the Boston Division, September 2004 inspection of the Chicago Division, March 2004 inspection of the Miami Division, and October 2003 inspection of the Newark Division, evidence logbooks were not properly maintained and quarterly audits of currency evidence were not conducted.

Department's Office of the Inspector General Report

In a January 2004 inspection report that examined accountability for evidence held at DEA field divisions, the OIG reported that more than 4 years after the GAO report and more than 2 years after the DEA report, the DEA still had not corrected deficiencies including implementing program guidance, improving DEA headquarters support, or developing training. Consequently, some DEA field division staff continued to handle and store evidence improperly.²⁴ The OIG report focused on seized drugs and monies and found instances of evidence loss that could compromise federal prosecutions.

DEA's Office of Professional Responsibility Case Reports

The DEA's Office of Professional Responsibility (OPR) receives allegations of misconduct by agents and other DEA personnel, including the theft or loss of defendants' property such as seized cash. We requested that the DEA provide us with documentation of all OPR investigations related to the handling of seized and recovered monies since October 1, 2003. In response to our request, the DEA provided us with documentation from 33 OPR investigations from October 1, 2003, through July 14, 2005, involving allegations of theft or loss of defendants' property. We reviewed the documentation and noted that in 11 instances the OPR case reports noted that agents did not properly handle, process, or dispose of the evidence. The OPR investigations found that agents: (1) did not immediately count the currency in five cases, (2) counted the currency without a witness in one case, (3) did not give the subject a receipt for the currency in two cases, (4) transported the currency to the bank alone in two cases, and (5) lost the evidence bag or the defendant's possessions while the defendant was in custody in four cases. Some of the cases involved multiple violations of DEA policies. Only 1 of the 11 case reports showed that an agent was counseled or disciplined for not following the established procedures.

In response to these prior reports from the GAO, OIG, and its own staff, the DEA has issued additional guidance and training on the handling of seized evidence. The DEA:

- developed a comprehensive classroom training program in 2005 for evidence custodians;

²⁴ Department of Justice, Office of the Inspector General, Report Number I-2004-003, *Review of the Drug Enforcement Administration's Custodial Accountability for Evidence Held at Field Divisions*, January 2004.

- added a Frequently Asked Questions segment about the handling of evidence including seized and recovered monies to the DEA's electronic library in 2005;
- required field offices, effective January 1, 2005, to begin using High-Value Seized and Recovered Monies Ledgers with pre-printed column headings to account for the receipt and disposition of non-drug evidence, high-value seized and recovered monies, and the temporary overnight storage of evidence;²⁵ and
- revised the procedures for handling and processing currency and other high-value items in the DEA Agents Manual, Section 6682, Currency and High-Value Items. These procedures became effective April 5, 2005, and superseded similar policies contained in the DEA Agents Manual, Section 6681, Non-Drug Property.

²⁵ The DEA defines a high-value item as anything valued in excess of \$1,000 that is readily convertible to currency. The three categories of high-value items are property, cash and other monetary instruments, and recovered Official Advanced Funds (OAF). Property includes jewelry, precious metals, computers, and phones. Cash and other monetary instruments include certificates of deposit, stocks, traveler's checks, and cashier's checks. Recovered OAF is DEA appropriated monies previously expended for the purchase of evidence or lost through theft during undercover or similar operations that was recovered by the DEA.

FINDINGS AND RECOMMENDATIONS

CONTROLS ESTABLISHED TO SAFEGUARD SEIZED CASH WERE OFTEN NOT FOLLOWED OR NOT DOCUMENTED AS FOLLOWED

While the DEA has established internal control policies for safeguarding seized cash, some of those policies are in need of clarification and strengthening. For example, the DEA should better define when seized cash should be counted, when the cash should be transported to a bank, and when wire transfers should be used. Moreover, our testing at 28 DEA offices found that the DEA did not adequately follow many of its controls regarding cash seizures. For most seizures we tested, documentation did not show that a witnessing agent or task force officer was present at critical stages of the cash handling process, as required by the DEA Agents Manual. Further, we found that agents and task force officers generally did not follow DEA requirements on when to count the seized currency; did not provide a receipt to the subject from whom the currency was taken; did not complete documents transferring custody of the currency to an evidence custodian; and did not record the receipt, transfer, or disposal of the currency in a temporary or permanent control ledger. Following or documenting adherence to these important internal controls are critical to ensure that seized cash is properly safeguarded from loss, theft, or misuse.

THE DEA'S INTERNAL CONTROLS OVER CASH SEIZURES

The DEA has implemented a system of controls requiring documentation of the handling of seized cash in the presence of two officials and a clear chain-of-custody over seized cash throughout the process. To assess DEA's cash handling controls, we interviewed DEA officials and reviewed guidance established by the DEA. We concluded that the DEA had developed comprehensive internal control policies to safeguard: (1) cash during seizure, (2) cash during transfer to the local DEA office or to the bank, and (3) cashier's checks until transfer to the USMS. However, we found evidence that these controls were not being followed. We first describe the controls established by the DEA, and then discuss our testing of the DEA's compliance with these controls.

Controls to Safeguard Cash upon Seizure

As described in the DEA Agents Manual, the DEA established multiple controls to safeguard cash during seizure. Section 6682 of the DEA Agents Manual requires an agent discovering currency to immediately summon a witnessing agent or officer. If the amount of currency is such that an immediate count is "practical," a count is to be conducted by the seizing agent and witnessing agent or officer. However, the DEA Agents Manual does not contain criteria to guide agents in determining whether or not a count is practical. The manual does provide procedures to follow if the amount of seized cash is "too large" for an immediate count, but the manual does not define what amount of money is "too large." As discussed later in this report and detailed in Appendix IV, our testing identified significant differences in when DEA offices count seized cash, and we found confusion among many DEA employees about this policy. In fact, DEA officials in 9 of the 28 offices we tested told us they believed it was the DEA's policy that agents should not count the seized cash. These results indicate that the DEA needs to clarify its policy on under what circumstances cash is to be counted.

The manual also requires that a DEA agent or Task Force Officer and another witnessing agent be present when the seized cash is secured in a Heat Sealed Evidence Envelope (HSEE) and when the cash is transported to the local DEA office or the bank for an official count.²⁶ The manual further requires that seized currency be counted and sealed in the HSEE in the presence of the person from whom the currency was seized, providing the person does not present a threat to the law enforcement officers.

Agents are required to issue a Form DEA-12 (DEA 12), Receipt for Cash or Other Items, to the person from whom the currency was seized showing either the amount seized or that "an undetermined amount of

²⁶ A Heat Sealed Evidence Envelope is a clear plastic bag or other suitable container used to hold seized currency or other property. With limited exceptions, the HSEE or other container should not be opened until the currency is transported to a bank for conversion to a cashier's check, or processed as an evidentiary exhibit. When an evidence container has been opened, the evidence and all parts of the old evidence container should be put in a new evidence bag or container and resealed. Details of the opening and resealing of the container should be recorded on a DEA-6, Report of Investigation. The HSEE is discarded after being opened at the bank for the bank's official count.

U.S. currency pending an official count" was seized.²⁷ When currency is seized as the result of a seizure warrant, law enforcement officers are not required to issue a DEA-12.²⁸ Instead, the officers are required to either provide the person from whom the items were seized with a copy of the warrant and a list of the items seized, or leave a copy of the warrant and the list of items seized at the seizure location if the person from whom the items were seized is not present.

When cash is seized, the seizing agent is required to prepare a Form DEA-6 (DEA-6), Report of Investigation, to document the events surrounding the seizure. According to the DEA Agents Manual, the DEA-6 should record details surrounding the acquisition of any high-value item with a value greater than \$1,000 and should include details of the seizure and a description of the articles, exhibit numbers, and chain-of-custody information for each item of evidence.

Section 6682 of the DEA Agents Manual requires the DEA evidence custodians to document the receipt, transfer, and disposition of any high-value item in a High-Value Seized and Recovered Monies (HVS RM) Ledger book.

Controls for Transferring Seized Cash to the Local DEA Office or to the Bank

The DEA established controls in the DEA Agents Manual to safeguard seized cash during its transfer to the local DEA office or bank. When the seized cash is taken to the local DEA office during regular duty hours, the agent or task force officer is to release custody of the seized cash to the DEA evidence custodian using a DEA-12; Form DEA-7a (DEA 7-a), Acquisition of Non-drug Property form; or Standard Seizure Form (SSF). After regular duty hours, the agent is to place the cash in temporary overnight storage using the appropriate transferring document and make an entry in the

²⁷ The DEA-12, Receipt for Cash or Other Items, is a multipurpose form used to document the following actions: (1) providing a receipt to the owner, or person claiming ownership, of property that is seized; (2) documenting the return of property held less than 5 working days; (3) placing non-drug evidence into temporary custody; and (4) recording the short-term transfer of non-drug evidence exhibits between agents and evidence custodians or other law enforcement personnel for production in court.

²⁸ A seizure warrant is a written order by the court authorizing the search or seizure of property.

temporary overnight ledger.²⁹ Copies of the DEA-6, DEA-7a, DEA-12, and SSF should be maintained in the case files as part of the chain-of-custody records.

Section 6682 of the DEA Agents Manual states that seized currency not retained as evidence must be transported to the bank by the seizing agents as soon as arrangements can be made with the bank for an official count and conversion to a cashier's check.³⁰ Prior to April 5, 2005, if the exact amount of seized cash was unknown, the DEA Agents Manual required agents to transport currency to the bank for an official count and conversion to a cashier's check on the next business day following the seizure. If the exact amount was known, the agents were required to transport the cash to the bank within 5 working days. Effective April 5, 2005, DEA made this control less stringent by requiring agents to transport the currency to a bank as soon as arrangements could be made with the bank. Later in this report we present our assessment of the time taken by seven DEA Divisions to transport cash to the bank. We note that the DEA Divisions in New Orleans, Detroit, and Houston transported cash to the bank on average in 1.4, 1.6, and 1.8 working days respectively. We also note that the DEA Divisions in Miami and New York transported cash to the bank on average in 4.5 and 4.7 working days respectively. Under the DEA's revised policy, each of these Divisions is in compliance with the control although it appears the New Orleans, Detroit, and Houston Divisions have achieved significantly better accountability by limiting the time that they control seized cash.

Controls for Transferring Seized Cash to the USMS

The Attorney General's Guidelines on Seized and Forfeited Property provide that seized cash, except when held as evidence, is to be deposited promptly into the SADF.³¹ Transfers of cash to the USMS are required to occur within 60 days of seizure or 10 days of indictment. However, Section 6654 of the DEA Agents Manual requires that seized cash be transferred to the USMS within 15 working days of seizure.

²⁹ According to the DEA Agents Manual, temporary storage refers to a safe, locker, or other secure place. Many DEA offices have bank style night-drops or similar facilities for overnight temporary storage of high-value items such as currency. Agents are not permitted to store seized currency in locked desks, unoccupied vehicles, or hotel rooms.

³⁰ The DEA considers the bank's count to be the official count for accountability purposes.

³¹ United States Attorneys Manual, Chapter 9-118, *The Attorney General's Guidelines on Seized and Forfeited Property*, July 31, 1990.

As discussed later in this report and as detailed in Appendix IX, on average DEA offices comply with the 15-day requirement. However, the New York Division had an average transfer time of 5.6 working days as compared to 9.6 to 15.6 working days for the other six Divisions. This quicker transfer time for New York was linked to use of wire transfer of funds rather than a cashier's check. We believe the DEA could strengthen the control for transferring cash to the USMS by requiring rather than encouraging, as is currently done, the use of wire transfers.

Conclusion about DEA's Controls over Cash Seizures

The DEA has implemented internal control policies to safeguard seized cash, but we believe the following improvements are needed.

- The DEA should better define what is meant by "practical" in its guidance for counting cash that states if the amount of currency is such that an immediate count is "practical," a count is to be conducted by the seizing agent and witnessing agent or officer.
- The DEA should redefine a timeframe for seized cash to be taken to the bank to ensure that its offices minimize the time during which they hold all seized cash and particularly the seized cash that the offices do not count.
- The DEA could speed the transfer of seized cash to the USMS by mandating the use of wire transfers where possible.

IMPLEMENTATION OF CONTROLS FOR SAFEGUARDING SEIZED CASH

While the DEA had established internal control policies for safeguarding seized cash, we found that the controls were not adequately implemented. Our testing of the DEA's implementation of controls for safeguarding cash is discussed in the following sections.

Preliminary Audit Testing (Phase I)

To gain an understanding of the DEA's handling of seized cash, we initially tested cash seizures within the DEA's Washington, D.C. Division from October 1, 2003, through September 30, 2005. We selected a statistical sample of 239 cash seizures valued at \$4,314,740 from the Division's universe of 1,304 cash seizures valued at \$21,119,512. The sample was designed to be representative of all seizures by the Washington Division for the period tested. The 239 cash seizures sampled were handled by four Washington Division locations (Washington Division Office, Baltimore District

Office, Richmond District Office, and Norfolk Resident Office). Our sample included seizures made by state and local law enforcement agencies that were adopted by the DEA, seizures from both open and closed investigative cases, and seizures made before and after April 5, 2005, when the DEA's modified procedures for handling and processing seized currency became effective. For each of the seizures sampled, we interviewed DEA officials and reviewed documentation from case files to determine the following.

- Were two agents present when the cash was discovered?
- Did the agents or officers count the cash?
- Did the agents issue a receipt to the person claiming ownership of the currency or, if the cash was seized under a warrant, did the agents leave a copy of the warrant on the premises?
- If agents counted the cash, did their count agree with the bank's count and, if not, were the discrepancies adequately researched and explained?
- Were two agents present when the cash was sealed in an evidence container, transported to the local DEA office, and transported to the bank?
- Did the agents or officers complete the proper chain-of-custody documents when transferring custody of the cash to the evidence custodian (only applies if cash was taken to the local DEA office during regular duty hours)?
- Did the agents or officers complete the proper chain-of-custody documents when placing seized cash in a secure overnight storage location (only applies if cash was taken to the local DEA office after regular duty hours)?³²
- Were the chain-of-custody documents signed and witnessed by two law enforcement officers?
- Did the evidence custodians record the receipt and disposition of cash and cashier's checks in the HVSRM Ledger?

³² To complete this test, we compared the date of seizure to the date the currency was converted to a cashier's check. If those dates were different, the agents should have placed the currency in secure storage along with the appropriate transferring documentation and made a entry in an overnight ledger.

- Did the agents or officers transport the cash to the bank for an official count in a timely manner?
- Did the DEA transfer custody of seized cash to the USMS within 15 working days of seizure?

Our preliminary testing indicated that the Washington Division generally transported seized currency to the bank for an official count and conversion to a cashier's check and transferred the cashier's checks to the USMS in a timely manner. However, the Division either did not follow or did not maintain documentation to show that:

- agents counted the seized cash;
- agents issued a receipt to the owner of seized cash or left a copy of the seizure warrant on the premises;
- two agents were present when cash was sealed in an evidence bag or other container, transported to the DEA office, and transported to the bank;
- seized and recovered cash was recorded in a control ledger;
- chain-of-custody records were maintained to document the custody of the cash from seizure until the cash was taken to the bank; and
- the DEA-6, Report of Investigation, included sufficient details concerning the seizure and handling of cash such as the names of the two agents involved in the discovery, counting, sealing, and transporting of the currency.

We briefed DEA headquarters and field office officials on the results of our preliminary audit tests at the Washington Division. DEA officials told us that based on extensive prior experience in managing investigations they believed two agents were present for some of the seizure activities but their presence was not documented. Although the DEA policy is for agents to count seized cash when such counts are practical, the officials also said that agents do not like to count seized cash because of problems that could result if the agents' count differs from the bank's count. The DEA officials told us that the seal attached to the evidence bag or container would show the signatures of the two agents involved in sealing the cash. However, DEA officials told us that the evidence bags are no longer needed after the bank counts the cash and thus the evidence bags are discarded and unavailable for subsequent testing.

Additional Audit Testing (Phase II)

Because our preliminary audit work demonstrated that controls for safeguarding seized cash were not consistently followed, we performed additional testing at other DEA offices. We selected 503 cash seizures totaling \$40,665,978 at 24 DEA locations within 6 additional DEA Divisions. Including the preliminary sample reviewed for the Washington Division, our complete sample consisted of 742 cash seizures valued at \$44,980,718 from 28 DEA locations within 7 DEA Divisions.³³ The 742 cash seizures sampled were selected using statistical sampling techniques to be representative of all DEA cash seizures in the universe from which the seizures were sampled. The statistical sampling techniques we used are presented in Appendix II. The number and dollar value of seizures we tested at each DEA office and Division are shown in the following table.

Number and Dollar Value of Cash Seizures Tested

Division/Office	Number of Seizures	Dollar Value of Seizures
New York Division		
New York Division Office	30	\$975,235
New York Task Force Office	30	\$7,740,242
Long Island District Office	21	\$631,870
Syracuse Resident Office	15	\$1,285,106
John F. Kennedy Airport Office	9	\$619,646
Total	105	\$11,252,099
Houston Division		
Houston Division Office	30	\$1,214,181
McAllen District Office	25	\$9,240,962
Brownsville Resident Office	6	\$37,843
Austin Resident Office	4	\$66,119
Total	65	\$10,559,105

³³ Our statistical sample was derived from a sample universe of 3,705 seizures valued at \$160,680,618. As previously stated, the overall universe was 16,007 seizures valued at \$616 million. Appendix I includes a detailed discussion of why certain cash seizures were excluded from our sample universe based on requests from the DEA or based on the results of our preliminary testing.

Division/Office	Number of Seizures	Dollar Value of Seizures
Detroit Division		
Detroit Division Office	30	\$2,693,179
Columbus District Office	29	\$3,437,611
Cleveland Resident Office	24	\$331,043
Dayton Resident Office	6	\$109,495
Total	89	\$6,571,328
Los Angeles Division		
Los Angeles Division Office ³⁴	50	\$3,657,064
Riverside District Office	30	\$2,082,283
Ventura Resident Office	7	\$248,576
Total	87	\$5,987,923
Washington Division³⁵		
Washington Division Office	117	\$798,716
Baltimore District Office	89	\$1,855,260
Richmond District Office	23	\$1,447,647
Norfolk Resident Office	10	\$213,117
Total	239	\$4,314,740
New Orleans Division		
Birmingham Resident Office	30	\$2,035,693
Montgomery District Office	29	\$1,043,643
Oxford Resident Office	9	\$314,194
Total	68	\$3,393,530
Miami Division		
Miami Division Office	32	\$1,315,102
Orlando District Office	24	\$548,041
Tampa District Office	16	\$673,088
West Palm Beach Resident Office	9	\$222,832
Ft. Lauderdale District Office	8	\$142,930
Total	89	\$2,901,993
Grand Total	742	\$44,980,718

Source: Statistical sample taken from CATS

Results of Audit Testing

We found that DEA Divisions consistently did not fully implement or document implementation of many critical controls established to safeguard seized cash. The detailed results of our testing of controls for the 742 sampled seizures are contained in the following 8 sections.

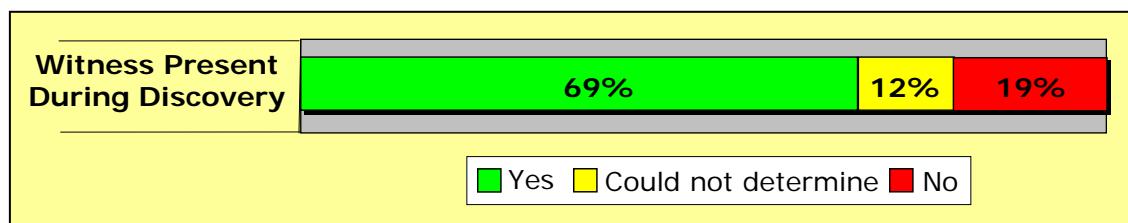
³⁴ The 50 seizures tested for the Los Angeles Division Office included 20 seizures for the Los Angeles Airport Group Office.

³⁵ The number of cash seizures tested in the Washington Division included both adopted seizures and DEA seizures. After our preliminary testing in the Washington Division, we excluded adopted seizures from our expanded testing, as explained in Appendix I. Thus, we tested more seizures in the Washington Division than in the other DEA Divisions.

Presence of a Witnessing Agent or Officer When Cash is Seized

A critical control for safeguarding cash requires that when an agent locates cash, the agent immediately summons a witnessing agent or officer. This control is essential to ensure that seized cash is always handled in the presence of two or more agents or officers to minimize the risk that seized cash is lost or stolen. For the 742 cash seizures tested, we reviewed the DEA-6 and other documentation from the DEA case files to determine if DEA agents followed the control. Overall, we found that in the documentation for 31 percent of the cash seizures, there was no indication that a witnessing agent or officer was present. A summary of our test results for this control is shown in the following chart.

**Presence of a Witnessing Agent or Officer
when Cash was Discovered³⁶**



Source: OIG analysis of DEA records

The detailed results for each office and Division tested are presented in Appendix III. Among the 28 DEA offices tested, the compliance rate ranged from 100 percent in four offices (McAllen, Texas, District Office; Resident Offices in West Palm Beach, Florida; and Austin, Texas; and the John F. Kennedy Airport Office in New York) to 22 percent in the Washington Division Office.

DEA officials told us that based on their extensive prior experience in managing investigations they believed a witness was usually present when the cash was discovered but that the agents just did not document the presence of a witness. However, without such documentation, we could not determine whether or not a witness was actually present during discovery of

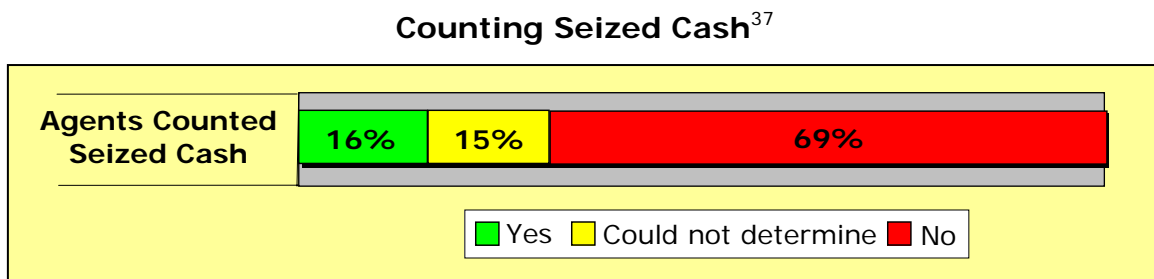
³⁶ "Yes" means the DEA-6, Report of Investigation, or other documentation showed that a witnessing agent or officer was involved. "No" means the DEA-6 or other documentation showed that only one agent or officer was involved. "Could not determine" means the DEA-6 or other documentation did not provide sufficient information to confirm whether a witnessing agent or officer was involved. Based on our statistically valid projected point estimates, the percentages reported in this analysis of the sampled items are within plus or minus 5 percentage points of what they would have been if the entire population had been tested.

the cash. Moreover, a failure to document the presence of a witness, if one was present, violated DEA policies.

Counting Seized Cash

Another critical control requires that the seizing and witnessing agents or officers count the cash upon seizure if the amount of seized currency is such that an immediate count is “practical.” The DEA Agents Manual does not define when it is “practical” to count the cash. The manual does state that if the amount of cash is too large for an immediate count, the agents should secure the cash pending an official count. However, the manual does not define what amount is “too large” to count.

For the 742 cash seizures tested, we reviewed the DEA-6 and other documentation from the DEA case files to determine if the agents followed this control. We found that DEA agents counted the cash upon seizure for only 16 percent of the seizures we tested. A summary of our test results for this control is shown in the following chart.



Source: OIG analysis of DEA records

The detailed results for each office and Division we tested are presented in Appendix IV. The results showed a wide disparity in the implementation of this control among the 28 DEA offices we tested. The rate at which the control was implemented ranged from 63 percent in the

³⁷ For the test of whether agents counted the seized cash, “Yes” means the DEA-6 or other documentation showed that agents counted the cash. “No” means the DEA-6 or other documentation showed that agents did not count the cash. “Could not determine” means the DEA-6 or other documentation did not provide sufficient information to confirm whether the agents counted the cash. Based on our statistically valid projected point estimates, the percentages reported in this analysis of the sampled items are within plus or minus 5 percentage points of what they would have been if the entire population had been tested.

Los Angeles Division Office to 0 percent in 11 offices.³⁸ Moreover, we found that implementation of the control was not consistent within some Division offices. For example, within the Washington Division 33 percent of the cash seizures we tested in the Washington Division Office were counted, while none of the seizures we tested in the Richmond, Virginia, District Office were counted. Likewise, in the Los Angeles Division, 63 percent of the cash seizures tested in the Los Angeles Division Office were counted, while none of the seizures tested in the Ventura Resident Office were counted.

While DEA's written policy in the DEA Agents Manual is to count seized cash when practical, DEA officials in 9 of the 28 offices we tested erroneously told us they believed it was the DEA's policy that agents should not count the seized cash. The officials told us they do not count the cash to avoid discrepancies between the agents' counts and the official bank counts, which could lead to additional paperwork and could subject the agents to an investigation. However, our analysis of cash seizures counted by both the agents and the banks found such differences to be rare. For the 79 seizures we tested that were counted by both the agents and the banks, differences between the counts occurred in 6 seizures. Of the six differences, the amounts involved were immaterial (\$40 or less) in two instances. The remaining four differences are discussed below.

- The bank's count was \$100 less than the agent's count and was explained by the bank finding a counterfeit \$100 bill in the seized cash. The bank excluded the counterfeit bill from its count while the agent did not.
- The bank's count of \$15,500 was \$1,005 more than the agent's count of \$14,495. DEA officials could not explain the difference. However, since the bank's count was higher than the agent's count, no actions were necessary to resolve the difference.
- The bank's count of \$4,885 was \$235 more than the agent's count of \$4,650. DEA officials could not explain the difference. However, since the bank's count was higher than the agent's count, no actions were necessary to resolve the difference.

³⁸ The offices were the: Division Offices in Detroit, Michigan; Miami, Florida; John F. Kennedy Airport Office in New York; District Offices in Richmond, Virginia; and Riverside, California; and Resident Offices in Ventura, California; Austin, Texas; Dayton, Ohio; Cleveland, Ohio; West Palm Beach, Florida; and Syracuse, New York.

- The bank's count was \$2,500 less than the agent's count. The agent counted \$18,000 and the bank counted \$15,500. DEA officials could not explain the difference and the DEA had not taken any action to investigate the difference.

We also believe that it is misguided for DEA agents to not count cash to avoid possible complaints about discrepancies in cash counts by the bank. We examined 11 DEA Office of Professional Responsibility (OPR) reports from August 2003 to February 2005, and 4 OIG Investigation reports from October 2004 through April 2006, related to the theft or loss of cash, and noted that agents have become the subject of investigations when they did not count the seized currency.

In one OPR case, a complainant alleged that DEA agents interviewed him at the airport, seized \$9,000 in cash, and gave him a receipt for an undetermined amount of money. Even though the agents detained the complainant in the controlled environment of an airport for a significant amount of time, the agents did not count the cash. DEA records prepared subsequent to the seizure indicated the agents seized \$1,895 in cash from the complainant. The OPR report gave no indication why the agents did not follow DEA policy and count the cash. The OPR report concluded that no evidence existed to show the agents seized more than \$1,895 from the complainant and therefore no action was taken against the agents.

In another OPR case, a complainant alleged that DEA agents seized approximately \$5,000 in cash and gave her a receipt for an unknown amount of cash. The subsequent bank count was \$2,661. The cash was seized during the execution of a search warrant at the complainant's residence. Again, the agents did not count the cash. The documentation provided with the investigative report showed that the agent who discovered the cash stated that per DEA policy, he did not count the cash at the scene. The documentation also noted that the cash was not taken to the bank until 3 days later and there was no indication the cash was counted at any point during the 3 days between seizure and delivery to the bank. As in the previous example, the OPR report concluded that no evidence existed to show the agents seized more than \$2,661 from the complainant and therefore no action was taken against the agents.

In an OIG Investigations case, a complainant alleged that DEA agents seized \$50,000. The subsequent bank count was \$35,000. The cash was seized at the complainant's residence and the agents did not count the cash. The agents also did not photograph the cash or maintain a copy of the DEA-12 receipt that agents said was provided to the owner of the seized cash.

Because DEA officials in at least nine offices told us they believe that agents should not count cash when seized, we surveyed other Department components about their policies for counting seized currency. Officials from the United States Marshals Service and the Federal Bureau of Prisons stated that they do not have a policy for counting seized cash. Officials from the Federal Bureau of Investigation (FBI) and the Bureau of Alcohol, Tobacco, Firearms and Explosives (ATF) provided their policies as follows.

FBI Policy: Seized currency must be counted and the count verified by two officials. To verify the accuracy of the original count, counting should be conducted at least twice. It is suggested that seized currency be counted and verified at the scene. When circumstances such as officer safety, volume of currency, or available resources make on-site count and verification unfeasible, it is permissible to secure the currency and count and verify it at another location. The seizing agent is strongly encouraged to use a money counting machine when counting and verifying seized currency.

ATF Policy: The special agent will, in the presence of a witnessing agent, conduct an accurate account of all money or financial instruments. If, in the opinion of the special agent, with the authorization of the immediate supervisor, it is determined that the monetary instruments are of such amounts that an accurate count is impractical, the special agent along with the witnessing agent shall place the funds in sealed evidence bags, initial the bags, and transport the money to a financial institution for counting.

The importance of counting money has also been emphasized by the International Association of Chiefs of Police (IACP). An IACP policy paper stated that no matter how extensive the precautions taken to safeguard items entering a law enforcement agency's property system, extra measures should always be effected in accepting and controlling money taken into agency custody. The IACP stated that alleged missing money, whether the personal property of an arrestee or the fruits of crime, is one of the major sources of complaints against police personnel. The IACP recommended that substantial amounts of money should be counted and verified by a supervisor.

We also examined the 11 DEA Office of Inspections' reports covering 11 DEA Divisions, as discussed on pages 5 and 6 of this report, to determine if the inspections included a review of the Divisions' compliance with the

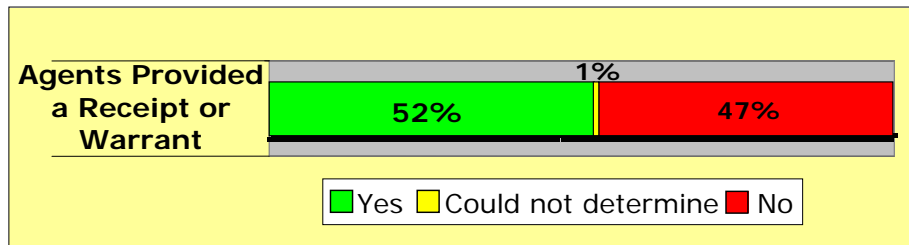
cash counting control. We found that none of the 11 inspection reports discussed compliance with the cash counting requirement. Given the inconsistent implementation of this critical control, we recommend that all future Division inspections examine compliance with this control.

Providing a Receipt to the Owner of Seized Cash

According to the DEA Agents Manual, DEA agents are required to issue a DEA-12, Receipt for Property or Other Items, to the person from whom the cash was seized showing either the amount seized or that "an undetermined amount of U.S. currency pending an official count" was seized. The owner or person claiming ownership should be asked to sign the receipt. If the individual refuses to sign the receipt, this fact should be noted on the DEA-12 and the DEA-6, Report of Investigation. If no one claims ownership of the cash, this fact should also be noted on the DEA-12 and DEA-6. When cash is seized as the result of a warrant, agents are not required to issue a DEA-12. Instead, the agents are required to leave a copy of the warrant on the premises showing either the amount of cash seized or that an undetermined amount of cash was seized.

For the 742 cash seizures tested, we reviewed the DEA-6, DEA-12, and other documentation from the DEA case files to determine if the DEA followed this control. The documentation we reviewed did not indicate that the DEA agents regularly issued a receipt or warrant to the owner of the seized cash or did not maintain documentation to confirm they did so in 48 percent of the seizures tested. A summary of our test results for this control is shown in the following chart.

Agents Provided a Receipt or Warrant to the Owner of the Seized Cash³⁹



Source: OIG analysis of DEA records

The detailed results for each office and Division we tested are shown in Appendix V. Among the 28 DEA offices we tested, the compliance rate ranged from 100 percent in the Montgomery, Alabama, District Office; New York's John F. Kennedy Airport Office; and Brownsville, Texas, Resident Office to 0 percent in the McAllen, Texas, District Office and Cleveland, Ohio, and Ventura, California, Resident Offices.

DEA officials told us that based on their extensive prior experience in managing investigations they believed a DEA-12 or warrant was usually provided to the owner of the seized cash, but that the agents did not document that action. However, without such documentation we cannot determine whether a DEA-12 or warrant was provided to the owner. Moreover, failing to issue a DEA-12 or copy of the warrant and maintain this required documentation violated DEA policies.

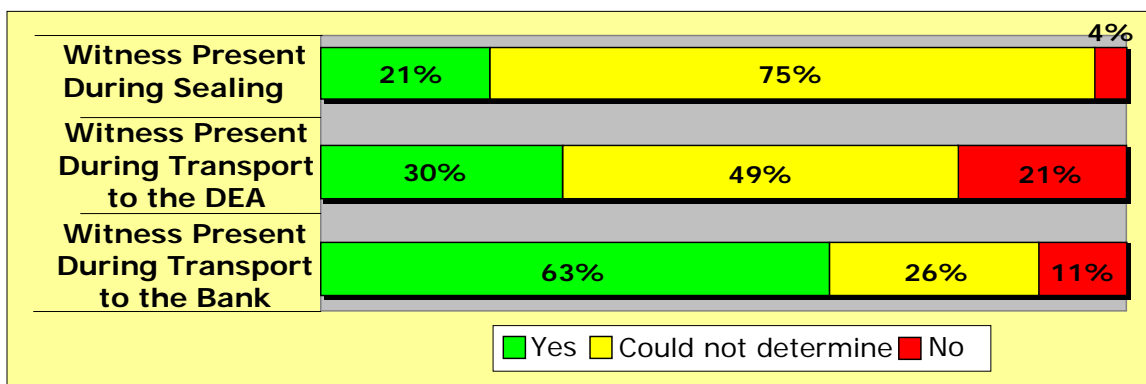
Presence of a Witnessing Agent or Officer When Handling Seized Cash

The DEA's controls require that a witnessing agent or officer be present when the cash is sealed in a Heat Sealed Evidence Envelope or other suitable container, transported to the local DEA office, and transported to the bank. For the 742 cash seizures tested, we reviewed the DEA-6 and other documentation from the DEA case files to determine if the DEA followed this control. Overall, our review found that the DEA did not

³⁹ "Yes" means the DEA-12, DEA-6, or other documentation showed that agents provided a receipt or warrant to the owner of the cash. "No" means the DEA-12, DEA-6, or other documentation showed that agents did not provide a receipt or warrant to the owner of the cash. "Could not determine" means the DEA-6 did not contain sufficient information to confirm whether the agents provided a receipt or warrant to the owner of the cash, and the DEA provided no other documentation to show a receipt or warrant was provided to the owner. Based on our statistically valid projected point estimates, the percentages reported in this analysis of the sampled items are within plus or minus 2 percentage points of what they would have been if the entire population had been tested.

maintain documentation indicating that a witnessing agent or officer was present at the various stages of the cash handling process. A summary of our test results for this control is shown in the following chart.

Presence of a Witnessing Agent or Officer at Various Stages of the Cash Handling Process⁴⁰



Source: OIG analysis of DEA records

The detailed results for each office and Division we tested are shown in Appendix VI. Among the 28 DEA offices we tested, we found that:

- the compliance rate for having a witness present during sealing of the cash ranged from 89 percent in the John F. Kennedy Airport Office to 0 percent in 11 offices;⁴¹
- the compliance rate for having a witness present during transport to the DEA ranged from 79 percent in the Los Angeles Division Office to 0 percent in 5 offices;⁴² and

⁴⁰ "Yes" means the DEA-6 or other documentation showed that a witnessing agent or officer was involved. "No" means the DEA-6 or other documentation showed that only one agent or officer was involved. "Could not determine" means the DEA-6 or other documentation did not provide sufficient information to confirm whether a witnessing agent or officer was involved. Based on our statistically valid projected point estimates, the percentages reported in this analysis of the sampled items are within plus or minus: (1) 6 percentage points of what they would have been if the entire population had been tested for the test of a witness present during sealing of the cash, (2) 6 percentage points for the test of a witness present during transport of the cash to the local DEA office, and (3) 2 percentage points for the test of a witness present during transport of the cash to the bank.

⁴¹ The offices were the: Division Office in Houston, Texas; District Offices in Fort Lauderdale, Florida; Baltimore, Maryland; and Richmond, Virginia; and Resident Offices in Birmingham, Alabama; Oxford, Mississippi; Ventura, California; Austin, Texas; Brownsville, Texas; Cleveland, Ohio; and Norfolk, Virginia.

- the compliance rate for having a witness present during transport to the bank ranged from 100 percent in the Miami, Florida, Division Office; Long Island, New York, District Office; West Palm Beach, Florida, Resident Office; and the John F. Kennedy Airport Office to 6 percent in the Cleveland, Ohio, Resident Office.

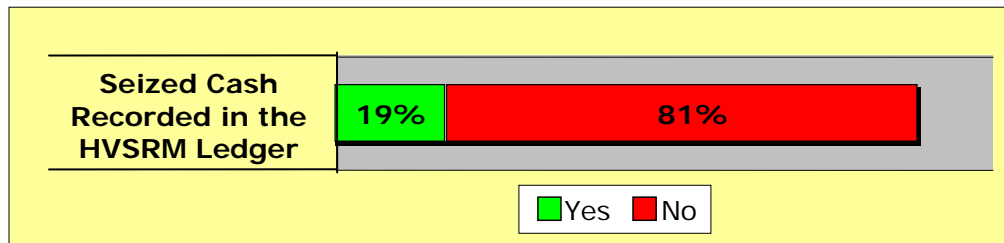
DEA officials told us that they believed, based on their extensive prior experience, that witnesses were usually present when the cash was sealed in the evidence envelope and that the evidence envelope contained the signature of the witnessing agent. However, the DEA discarded the evidence envelopes after the cash was counted by the bank and usually did not document in the case records that a witness was present during sealing of the cash in the evidence envelope. The DEA officials also told us that they believed witnesses were usually present when the cash was transferred to the local DEA office and to the bank but that the agents did not document that a witness was present. However, without such documentation we cannot confirm whether a witness was actually present during sealing of the cash in the evidence envelopes or during transport of the cash to the DEA office and bank.

Recording Cash Seizures in the High-Value Seized and Recovered Monies Ledger

Beginning January 1, 2005, the DEA required that all high-value seized items, including cash, cashier's checks, and recovered Official Advanced Funds, valued at \$1,000 or more be recorded in a High-Value Seized and Recovered Monies (HVS RM) ledger. The HVS RM ledger should be used to record the receipt, transfer, and disposition of the high-value items. For the 742 cash seizures tested, we reviewed the HVS RM ledgers maintained by the evidence custodians to determine if the DEA implemented this control. Overall, we found that more than 80 percent of the cash seizures we tested that were valued at \$1,000 or more were not recorded in the HVS RM ledger. A summary of our test results for this control is shown in the following chart.

⁴² The offices were the District Office in Tampa, Florida; and the Resident Offices in Oxford, Mississippi; Austin, Texas; Brownsville, Texas; and Cleveland, Ohio.

Recording Seized Cash in the HVSRM Ledger⁴³



Source: OIG analysis of DEA records

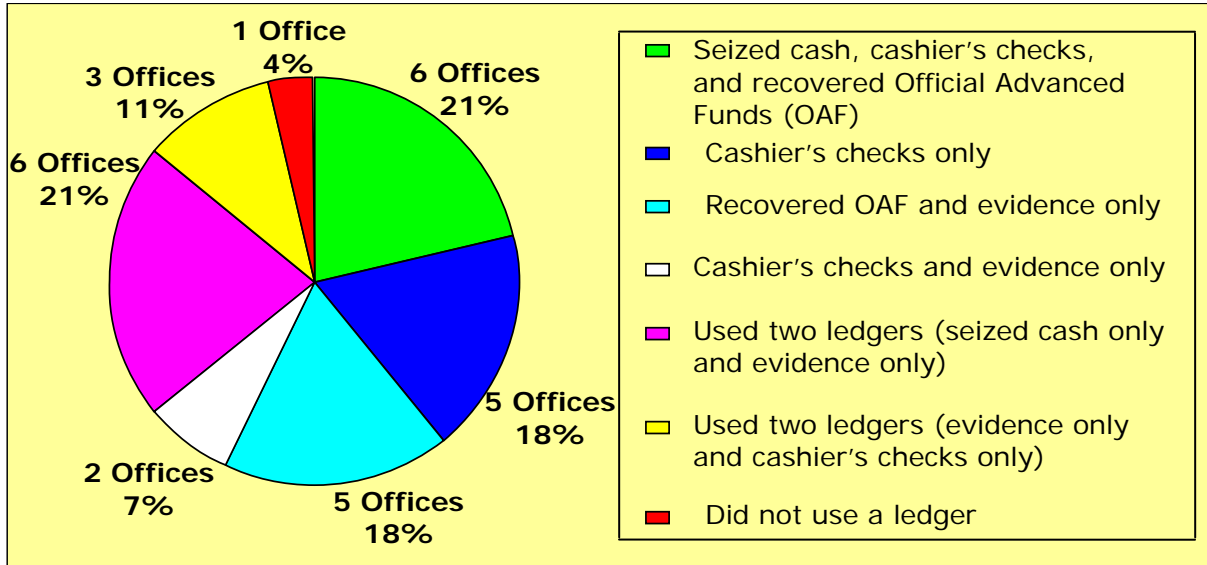
The detailed results for each office and Division we tested are shown in Appendix VII. Among the 28 DEA offices we tested, the compliance rate ranged from 100 percent in 2 offices (John F. Kennedy Airport Office in New York and the Oxford, Mississippi, Resident Office) to 0 percent in 21 offices.⁴⁴

We found that cash seizures typically were not recorded in the HVSRM ledgers because many DEA offices were not using the ledgers as required by DEA policy. For the 28 DEA offices tested, we found that only 6 (21 percent) used the HVSRM ledger to record all types of high-value seized and recovered items. The remaining 22 DEA offices either used the HVSRM ledger to record some types of high-value items but not others, or did not use the HVSRM ledger at all. The chart below summarizes our analysis of how the 28 DEA offices we tested used the HVSRM ledgers.

⁴³ "Yes" means documentation showed that the cash seizure tested was recorded on the HVSRM ledger. "No" means documentation showed that the cash seizure tested was not recorded on the HVSRM ledger. Based on our statistically valid projected point estimates, the percentages reported in this analysis of the sampled items are within plus or minus 5 percentage points of what they would have been if the entire population had been tested.

⁴⁴ The offices were the Division Offices in Washington, D.C.; Detroit, Michigan; Houston, Texas; and Miami, Florida; the District Offices in Baltimore, Maryland; Richmond, Virginia; Columbus, Ohio; McAllen, Texas; Riverside, California; Fort Lauderdale, Florida; Orlando, Florida; Tampa, Florida; Birmingham, Alabama; and Long Island, New York; and the Resident Offices in Norfolk, Virginia; Cleveland, Ohio; Dayton, Ohio; Brownsville, Texas; Austin, Texas; Ventura, California; and Syracuse, New York.

DEA Offices' Use of the HVSRM Ledger



Source: OIG analysis of DEA records and interviews with DEA staff

We attribute the disparity in how the different DEA offices used the HVSRM ledgers to the evidence custodians not having attended current training, as discussed on pages 33 and 34 of the report. Not recording cash in the ledgers can cloud the chain-of-custody of seized cash because we found numerous instances where other chain-of-custody forms were not completed making it difficult or impossible to identify who had custody of the cash. Improper use of the ledgers also increases the risk that seized cash could be lost or stolen without detection.

Timeliness of Transporting Seized Cash to the Bank for an Official Count and Conversion to a Cashier's Check

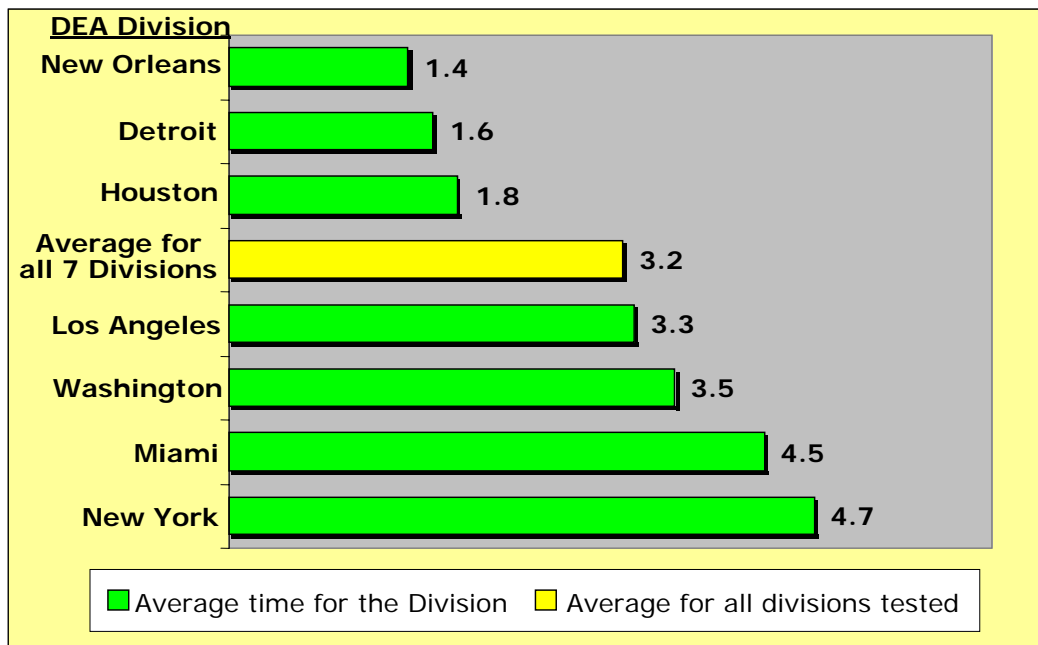
The DEA established an internal control to safeguard seized cash by minimizing the time the cash is in the DEA's possession. The control requires that agents transfer seized cash to the bank for an official count and conversion to a cashier's check as soon as arrangements can be made with the bank.⁴⁵

For the 742 cash seizures tested, we reviewed documentation from the DEA case files and interviewed the DEA officials to determine if the DEA

⁴⁵ This control became effective on April 5, 2005. Prior to this date, the DEA's policy required that for unknown amounts, agents were to transport cash to the bank for an official count and conversion to a cashier's check on the next business day following the seizure. If the exact amount was known, the agents were to transport the cash to the bank within 5 working days.

followed this control. The documentation we reviewed showed that the DEA transported seized cash to the bank in an average time of 3.2 working days after seizure. Three of the seven Divisions we tested had average times at or below the average and the other four divisions had average times ranging from 3.3 to 4.7 working days as shown in the following chart. The detailed results for each office we tested are shown in Appendix VIII.

Average Number of Working Days from Seizure to Transport of Cash to the Bank (By Division)



Source: OIG analysis of DEA records

We found that some offices took seized cash to the bank much more quickly than others. As shown in Appendix VIII, for the 28 DEA offices tested the average working days from when the cash was seized to when it was taken to the bank ranged from 0.5 days (Austin, Texas) to 7.4 days (West Palm Beach, Florida). The wide divergence resulted because some offices required agents to take the cash to the bank daily, while other offices required weekly trips to the bank. Other offices did not have set schedules for taking cash to the bank but instead made impromptu bank trips when agents were available.

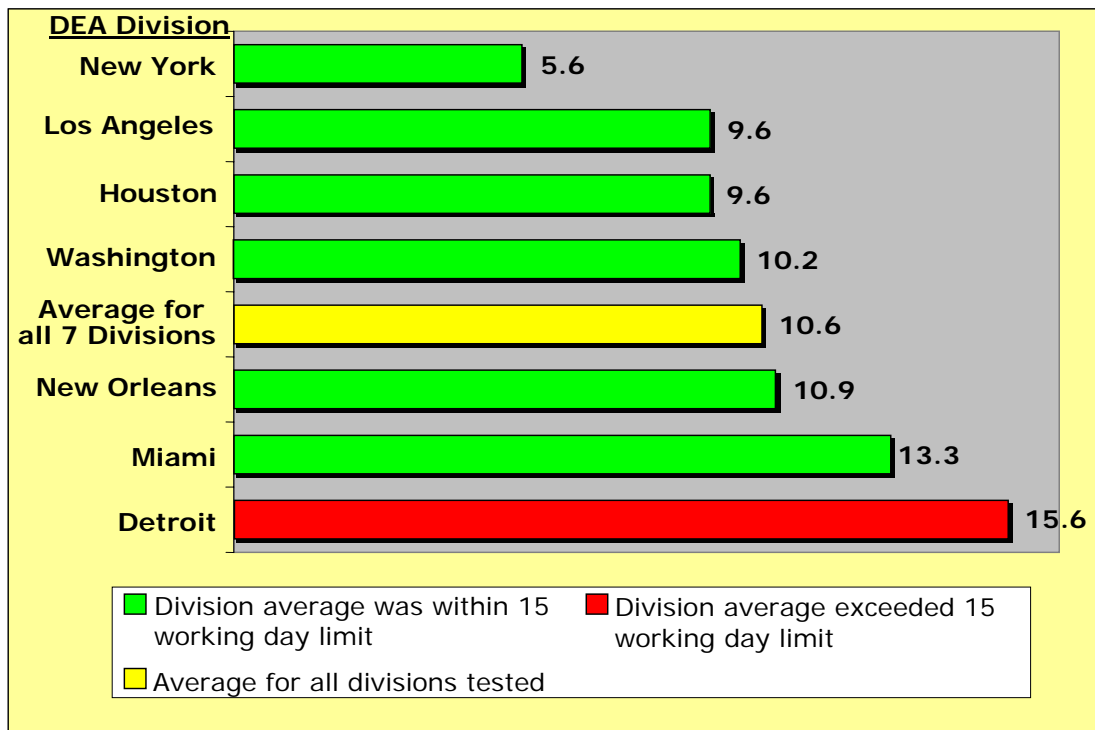
The risk of mishandling all seized cash and particularly cash that is not counted prior to transportation to the bank increases the longer the cash is held. We believe that the DEA should review the cash handling processes in the timeliest Divisions – Houston, New Orleans, and Detroit – to determine if those processes can be used in other offices to reduce the time that cash is on hand.

Timeliness of Transferring Seized Cash to the USMS

To minimize the time cash is held, the DEA requires that seizures subject to forfeiture and not retained as evidence be transferred to the custody of the USMS within 15 working days of seizure.

For the 742 cash seizures tested, we reviewed case file records showing the date cash was seized and the Form DEA-48a (Disposition of Non-drug Evidence) or other documentation showing the date cash was transferred to the USMS to determine if the DEA followed this control. With the exception of the Detroit Division, the DEA Divisions generally transferred seized cash to the USMS in a timely manner. Overall, the average time from seizure to transfer of the seized cash to the USMS was 10.6 working days. Four of the seven divisions had average times of 5.6 to 10.2 working days and the other three divisions had average times ranging from 10.9 to 15.6 working days as shown in the following chart. The detailed results for each office we tested are shown in Appendix IX.

Average Number of Working Days from Seizure to Transfer of Cash to the USMS



Source: OIG analysis of DEA records

While the overall averages for 6 of the 7 divisions tested were within the 15 working day limit established by the DEA, we found that 10 of the 28 individual DEA offices tested exceeded the limit for the cash seizures we

tested. As shown in the chart at Appendix IX, for the sample seizures the average time from seizure to transfer of the cash to the USMS for these 10 offices ranged from 15.2 to 28.8 working days. Some offices, such as the Long Island, New York, office had banks wire the funds directly to the USMS instead of obtaining a cashier's check from the bank and then delivering the check to the USMS. None of the 10 offices that exceeded the 15-day limit used the wire transfer process. The DEA Agents Manual encourages Divisions to collaborate with the USMS to arrange for wire transfers in cities where this procedure is not already in place. We believe the use of wire transfers could significantly reduce the amount of time that seized funds remain in the possession of the DEA and reduce the risk of loss.

Maintaining Chain-of-Custody Records

The DEA Agents Manual specifies that all due care must be exercised to create an unimpeachable record of the chain of custody and processing of high-value items. Thus, DEA agents and officials are required to use a DEA-12, signed by the transferring agent and witnessed by another law enforcement person, to document the transfer of any high-value item. The DEA established this requirement to avoid any discrepancies, accusations of theft, or misappropriation of the seized item.

In some cases, the manual allows the transfer of cash using the DEA-12 or another acceptable form, such as the DEA-7a, or Standard Seizure Form (SSF).⁴⁶ When cash is seized and taken to the local DEA office during regular duty hours, the agent is to release custody of the seized cash to the evidence custodian using a DEA-12, DEA-7a, or SSF. After regular duty hours, the agent is required to place the cash in temporary overnight storage using a DEA-12 or DEA-7a and make an entry in the temporary overnight ledger.⁴⁷ Copies of the DEA-12, DEA-7a, and SSF documenting the delivery of the cash are to be put in the case files and preserved as part of the chain-of-custody records.

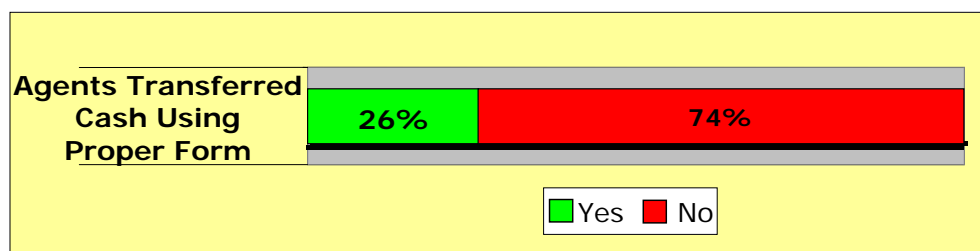
For the 742 cash seizures tested, we reviewed documentation from the DEA case files and interviewed DEA officials to determine if the DEA followed this control. The documentation we reviewed showed that agents in many of

⁴⁶ The SSF is a 5-page form that includes case and asset information, names and addresses of potential claimants, and other details such as probable cause and chain-of-custody information.

⁴⁷ According to the DEA Agents Manual, temporary storage refers to a safe, locker, or other secure place. Many DEA offices have bank style night-drops or similar facilities for overnight temporary storage of high-value items such as cash. Agents are not permitted to store seized currency in locked desks, unoccupied vehicles, or hotel rooms.

the DEA offices generally did not use a DEA-12, DEA-7a, or SSF to document the transfer of seized cash when placing the seized cash into temporary overnight storage or when transferring the cash directly to an evidence custodian. A summary of our test results for this control is shown in the following chart.

**Transfer of Cash to the Evidence Custodian
Using the Proper Chain-of-Custody Form⁴⁸**



Source: OIG analysis of DEA records

The detailed results for each office and Division we tested are shown in Appendix X. Among the 28 DEA offices tested, the compliance rate ranged from 100 percent in the Syracuse, New York, Resident Office to 0 percent in 16 offices.⁴⁹

The evidence custodians and other DEA officials in the offices we tested told us that making an entry in the HVSRM ledger was sufficient to document the transfer of the currency to an evidence custodian. However, we found 275 instances where the transfer of cash to the evidence custodian was not documented on the proper chain-of-custody form and the cash was not recorded in the HVSRM ledger.

Failure to maintain the proper chain-of-custody records unnecessarily increases the risk that seized cash can be misappropriated. We identified 119 cash seizures where the risk of misappropriation was exceptionally high

⁴⁸ "Yes" means documentation showed that the agents transferred the seized cash to the evidence custodian using a DEA-12 or other appropriate form. "No" means documentation showed that the agents transferred the seized cash to the evidence custodian without using a DEA-12 or other appropriate form. Based on our statistically valid projected point estimates, the percentages reported in this analysis of the sampled items are within plus or minus 3 percentage points of what they would have been if the entire population had been tested.

⁴⁹ The offices were the Division Offices in Washington, D.C.; Los Angeles, California; and Miami, Florida; the District Offices in Baltimore, Maryland; Richmond, Virginia; Birmingham, Alabama; Montgomery, Alabama; Long Island, New York; and Orlando, Florida; and the Resident Offices in Norfolk, Virginia; Cleveland, Ohio; Oxford, Mississippi; Ventura, California; Austin, Texas; and Brownsville, Texas; and the John F. Kennedy Airport Office in New York.

because: (1) the agents did not count or did not document that they counted the seized cash upon discovery; (2) the agents did not take the seized cash directly to the bank for an immediate count; (3) the agents did not document the transfer of the cash to the evidence custodian using a DEA-12 or other appropriate chain-of-custody form; and (4) the seized cash was not recorded in the HVSRM ledger. As shown in the following chart, the location of these 119 cash seizures totaling about \$4.7 million was not documented for from 1 to 35 days.

Seizures with Significant Risk of Loss or Theft

Division	Number of Seizures	Dollar Value of Seizures	Days Unaccounted For
Washington	11	\$73,083	1 to 17
New Orleans	12	\$732,793	1 to 4
Miami	59	\$1,707,373	1 to 35
Houston	11	\$198,984	1 to 2
Detroit	19	\$563,978	1 to 3
Los Angeles	7	\$1,382,512	1 to 4
Totals	119	\$4,658,723	1 to 35

Source: OIG analysis of DEA records

DEA officials at some offices (Tampa, Orlando, and Baltimore) told us that supervisors have safes in their offices where they secure currency pending an official count. However, we found no evidence that these supervisors recorded cash seizures on a ledger and obtained a DEA-12 or other chain-of-custody form to document receipt of seized cash from the agents.

Training and Website Guidance

As discussed in the Prior Audits, Inspections, and Reviews section of this report, the DEA responded to prior report recommendations by: (1) developing a classroom training program for agents and evidence custodians that included training on handling seized cash; and (2) adding a Frequently Asked Questions segment that focuses on the handling of evidence including seized and recovered monies to the DEA's electronic library. We reviewed the content of the new training program and the Frequently Asked Questions segment and found that both appeared to cover the problem areas that we found during this audit.

To determine if the evidence custodians were using the training and website to improve their knowledge of handling seized cash, we interviewed

the evidence custodians at the seven Divisions we tested. We found that only 16 of the 72 evidence custodians interviewed had attended the updated training. Other custodians stated that they did not know about the training or when the classes were held. However, 61 of 72 evidence custodians were familiar with the Frequently Asked Questions document available on the DEA's electronic library. We recommend that DEA ensure that all agents and evidence custodians that handle seized cash receive the new training, which should improve their handling of seized cash.

Documentation Errors and Supervisory Oversight

Throughout our audit, DEA managers in Headquarters and in individual offices told us that problems we identified resulted from documentation errors alone, and that DEA staff routinely follow cash-handling controls. We acknowledge that this explanation may provide a partial explanation for some of the deficiencies we identified. However, unless the DEA creates and maintains documentation regarding the handling of seized cash, a requirement of current DEA policy, neither we nor the DEA can be certain that cash is handled appropriately and according to the DEA's policies. Moreover, in many cases we know that the seized cash was not handled in accord with DEA policies by our review of the documents that existed and by our interviews of DEA agents who acknowledged that they did not follow certain DEA policies.

Moreover, several DEA supervisors acknowledged to us that agents were not following DEA cash seizure policies and that they were not enforcing such policies. A lack of supervisory oversight appeared to be a direct cause of the problems that we identified in the New York Division. At the conclusion of our work in that Division an Assistant Special Agent in Charge (ASAC) reviewed our results and generally concurred with our findings. The ASAC immediately issued an e-mail directive to the office's Group Supervisors requiring improved documentation of cash handling. The ASAC's e-mail provided detailed reminders of the documentation requirements with which the Group Supervisors were to ensure compliance.

This action by the ASAC constituted prompt and appropriate corrective action to address problems related to documentation failures. Given the deficiencies we identified across the DEA, and to the extent that our deficiencies derive from documentation failures, similar strengthening of supervisory oversight is necessary in many DEA offices. We believe that increased supervisory oversight should take the form of more frequent reminders to staff of the documentation requirements and better supervisory

review, including review during periodic inspections, of documentation to ensure compliance with requirements.

Conclusion

Our audit found that while the DEA had established internal control policies for safeguarding seized cash, some of those policies should be strengthened. For example, the DEA needs to better define what is meant by “practical” in its guidance for counting cash that states if the amount of currency is such that an immediate count is “practical,” a count is to be conducted by the seizing agent and witnessing agent or officer. Furthermore, the timeframe for seized cash to be taken to the bank needs to be redefined to ensure that DEA offices minimize the time they have custody of all seized cash and particularly uncounted seized cash. In addition, the transfer of seized cash to the USMS needs to be speeded by mandating the use of wire transfers where possible.

Moreover, our testing found that the DEA did not adequately follow many of its controls regarding cash seizures. For most seizures we tested, documentation did not show that a witnessing agent or task force officer was present at critical stages of the cash handling process, as required by the DEA Manual. Further, we found that agents and task force officers generally did not follow DEA requirements on when to count the seized currency; did not provide a receipt to the subject from whom the currency was taken; did not complete documents transferring custody of the currency to an evidence custodian; and did not record the receipt, transfer, or disposal of the currency in a temporary or permanent control ledger.

The failures to enforce effective controls for safeguarding seized cash can lead to discrepancies, accusations of theft, or misappropriation of seized cash. We identified 12 instances where either the DEA’s OPR or the OIG’s Investigations Division investigated allegations of stolen or missing seized cash and the investigations showed that DEA personnel did not follow established controls for safeguarding the seized cash, including not counting the seized cash, not providing a DEA-12 receipt to the suspect, and transporting the seized cash without a witness present.

While the DEA claims, without support or documentation, that its agents follow DEA policies regarding handling of cash seizures, our audit indicated otherwise. The DEA should not rely on its hope, without documentation, that its internal controls are followed. Rather, the DEA should more rigorously enforce its internal controls, which require documentation that employees comply with its cash seizure policies.

RECOMMENDATIONS

We recommend that the DEA:

1. Clarify the policy on counting seized cash and clearly define the circumstances under which it is and is not required to count cash at the time of seizure.
2. Research best practices associated with timely transport of seized cash to banks, including those in several DEA offices that timely transfer cash to banks, and implement those practices as widely as possible.
3. Ensure that seized cash is wire-transferred to the USMS whenever possible.
4. Issue to all staff involved in cash seizure activities periodic reminders of the internal controls to be followed and documented, including:
 - documenting that another officer or agent witnessed the seizure of the cash, sealing of the cash in an evidence bag or container, transport of the cash to the DEA office, and transport of the cash to the bank;
 - documenting the rationale for not counting cash;
 - documenting the receipt provided to the suspect from whom cash was seized;
 - recording cash seized in the HVSRM ledger; and
 - documenting the transfer of cash to the evidence custodian on a DEA-12 or other appropriate form;
5. Instruct DEA staff who supervise cash handling activities to monitor documentation such as the Report of Investigation (DEA-6) and other cash handling forms completed by agents to ensure the forms are sufficiently detailed to show cash handling controls are followed. In addition, instruct the supervisors to ensure that the required forms are maintained in the case files.
6. Identify all evidence custodians who have not attended the DEA's comprehensive classroom training course that includes training on cash handling controls. Ensure these custodians receive the appropriate training.

7. After the DEA clarifies its policy on counting cash and implements best practices for timely transferring cash to banks, ensure that inspection procedures are revised to include steps to measure DEA's implementation of the controls established for counting cash and for transporting seized cash to the bank in a timely manner.

STATEMENT ON COMPLIANCE WITH LAWS AND REGULATIONS

The Federal Managers Financial Integrity Act of 1982 requires agencies to establish and maintain internal control. The Office of Management and Budget Circular No. A-123, Management's Responsibility for Internal Control, defines management's responsibilities related to internal control. The DEA's controls for handling of seized cash are established by applicable sections of the DEA Agents Manual. To obtain reasonable assurance that the DEA complied with laws and regulations that, if not complied with, could have a material effect on the DEA's handling of seized cash, we tested the DEA's compliance with DEA guidelines for handling seized cash contained in the following sections of the DEA Agents Manual.

- Section 6682, Currency and High-Value Items
- Section 6654, Asset Forfeiture
- Section 6681, Non-drug Property

Except for instances of noncompliance identified in the Finding and Recommendations section of this report, we did not identify any other instances of noncompliance with the guidelines contained in the DEA Agents Manual sections cited above.

ABBREVIATIONS

Abbreviation	Description
AFF	Asset Forfeiture Fund
AFP	Asset Forfeiture Program
ASAC	Assistant Special Agent in Charge
ATF	Bureau of Alcohol, Tobacco, Firearms, and Explosives
CATS	Consolidated Asset Tracking System
DEA	Drug Enforcement Administration
DEA-6	Report of Investigation
DEA-7a	Acquisition of Non-drug Property
DEA-12	Receipt for Cash or Other Items
Department	Department of Justice
FBI	Federal Bureau of Investigation
FY	Fiscal Year
GAO	Government Accountability Office
HSEE	Heat Sealed Evidence Envelope
HVSRM	High-Value and Seized/Recovered Monies
IACP	International Association of Chiefs of Police
OAF	Official Advanced Funds
OIG	Department of Justice, Office of the Inspector General
OPR	DEA Office of Professional Responsibility
SADF	Seized Asset Deposit Fund
SSF	Standard Seizure Form
USMS	United States Marshals Service

Objective, Scope, and Methodology

Objective

The objective of the audit was to determine whether the DEA complied with appropriate requirements governing the handling of cash from seizure through distribution.

Scope and Methodology

The audit was performed in accordance with the *Government Auditing Standards* issued by the Comptroller General of the United States, and included tests and procedures necessary to accomplish the objective. We performed fieldwork at the following locations.

DEA Headquarters	Arlington, Virginia
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Washington Division

Washington Division Office	Washington, D.C.
Baltimore District Office	Baltimore, Maryland
Richmond District Office	Richmond, Virginia
Norfolk Resident Office	Norfolk, Virginia

Los Angeles Division

Los Angeles Division Office	Los Angeles, California
Riverside District Office	Riverside, California
Ventura Resident Office	Ventura, California
Los Angeles Airport Group Office	Los Angeles, California

New York Division

New York Division Office	New York, New York
Long Island District Office	New York, New York
New York Task Force Office	New York, New York
New York John F. Kennedy Airport Office	New York, New York
Syracuse Resident Office	Syracuse, New York

Houston Division

Houston Division Office	Houston, Texas
McAllen District Office	McAllen, Texas
Austin Resident Office	Austin, Texas
Brownsville Resident Office	Brownsville, Texas

New Orleans Division

Montgomery District Office	Montgomery, Alabama
Birmingham Resident Office	Birmingham, Alabama
Oxford Resident Office	Oxford, Mississippi

Miami Division

Miami Division Office	Miami, Florida
Ft. Lauderdale District Office	Ft. Lauderdale, Florida
Orlando District Office	Orlando, Florida
Tampa District Office	Tampa, Florida
West Palm Beach Resident Office	West Palm Beach, Florida

Detroit Division

Detroit Division Office	Detroit, Michigan
Columbus District Office	Columbus, Ohio
Cleveland Resident Office	Cleveland, Ohio
Dayton Resident Office	Dayton, Ohio

As a result of prior external and internal audits, inspections, reviews, and investigations, the DEA revised and updated its controls for safeguarding seized cash during FY 2005. The new controls became effective on April 5, 2005. To determine whether the DEA complied with appropriate requirements governing the handling of cash from seizure through distribution, we initially identified and evaluated the controls established by the DEA to safeguard seized cash. We tested a preliminary statistical sample of 239 cash seizures totaling \$4,314,740 from the Washington Division's universe of 1,304 cash seizures totaling \$21,119,512 from October 1, 2003, through September 30, 2005. The 239 cash seizures tested were handled by four Washington Division offices (Washington Division Office, Baltimore District Office, Richmond District Office, and Norfolk Resident Office). Our sample included: (1) seizures made by the DEA as well as seizures made by state and local agencies and subsequently adopted by the DEA for processing under federal laws, and (2) seizures made before and after the new controls were established.

For each of the seizures sampled, we interviewed DEA officials and reviewed documentation from case files to determine the following.

- Were two agents present when the cash was discovered?
- Did the agents or officers count the cash?
- Did the agents issue a receipt to the person claiming ownership of the currency or, if the cash was seized under a warrant, did the agents leave a copy of the warrant on the premises?
- Did the agents' cash count agree with the bank's count and if not, were the discrepancies adequately researched and explained (only applies if agents counted the cash)?
- Were two agents present when the cash was sealed in an evidence container, transported to the local DEA office, and transported to the bank?
- Did the agents or officers complete the proper chain-of-custody documents when transferring custody of the cash to the evidence custodian (only applies if cash was taken to the local DEA office during regular duty hours)?
- Did the agents or officers complete the proper chain-of-custody documents when placing seized cash in a secure overnight storage location (only applies if cash was taken to the local DEA office after regular duty hours)?⁵⁰
- Were the chain-of-custody documents signed and witnessed by two law enforcement officers?
- Did the evidence custodians record the receipt and disposition of cash and cashier's checks in the HVSRM Ledger?
- Did the agents or officers transport the cash to the bank for an official count in a timely manner?

⁵⁰ To complete this test we compared the date of seizure to the date the currency was converted to a cashier's check. If those dates were different, we concluded agents should have placed the currency in secure storage along with the appropriate transferring documentation and made a entry in an overnight ledger.

- Did the DEA transfer custody of seized cash to the USMS within 15 working days of seizure?

Based on our preliminary audit testing that showed controls for safeguarding seized cash were not always followed, we performed additional testing to include other DEA offices. The scope of our audit work was limited because we excluded many cash seizures from our testing based on requests from the DEA or based on the results of our preliminary testing as follows.

- Based on our preliminary audit testing, we determined the DEA implemented revised cash handling procedures effective April 5, 2005. We sought to test controls for cash seized both prior to and after April 5, 2005. However, the DEA denied us access to records for cases where cash was seized prior to April 5, 2005, and the case was still open at the time of our planned tests. For this reason, we excluded from further testing cash seizures made prior to April 5, 2005.
- At the request of the DEA, we excluded 2,109 cash seizures totaling \$85,670,364 from the Atlanta Division offices because of an ongoing investigation in that Division regarding the alleged misappropriation of seized cash by a DEA agent.
- At the request of DEA officials, we excluded from our testing cash seizures in some New Orleans Division offices because of the effects of hurricane Katrina on the DEA's operations in that area.
- Based on our preliminary audit testing that determined that DEA agents generally did not handle the seized cash when the DEA adopted seizures made by state and local law enforcement agencies, we excluded adopted seizures from further testing.

After the preliminary audit testing, we selected an additional 503 cash seizures totaling \$40,665,978 at 24 additional DEA locations within 6 additional DEA Divisions. Including the preliminary sample reviewed for the Washington Division, our total sample consisted of 742 cash seizures totaling \$44,980,718 at 28 DEA locations within 7 DEA Divisions from the sample universe of 3,705 seizures valued at \$160,680,618. Further details of our statistical sample design are presented in Appendix II. The number and dollar value of seizures we tested at each DEA office and Division are shown in the following table.

Number and Dollar Value of Cash Seizures Tested

Division/Office	Number of Seizures	Dollar Value of Seizures
New York Division		
New York Division Office	30	\$975,235
New York Task Force Office	30	\$7,740,242
Long Island District Office	21	\$631,870
Syracuse Resident Office	15	\$1,285,106
John F. Kennedy Airport Office	9	\$619,646
Total	105	\$11,252,099
Houston Division		
Houston Division Office	30	\$1,214,181
McAllen District Office	25	\$9,240,962
Brownsville Resident Office	6	\$37,843
Austin Resident Office	4	\$66,119
Total	65	\$10,559,105
Detroit Division		
Detroit Division Office	30	\$2,693,179
Columbus District Office	29	\$3,437,611
Cleveland Resident Office	24	\$331,043
Dayton Resident Office	6	\$109,495
Total	89	\$6,571,328
Los Angeles Division		
Los Angeles Division Office ⁵¹	50	\$3,657,064
Riverside District Office	30	\$2,082,283
Ventura Resident Office	7	\$248,576
Total	87	\$5,987,923
Washington Division⁵²		
Washington Division Office	117	\$798,716
Baltimore District Office	89	\$1,855,260
Richmond District Office	23	\$1,447,647
Norfolk Resident Office	10	\$213,117
Total	239	\$4,314,740
New Orleans Division		
Birmingham Resident Office	30	\$2,035,693
Montgomery District Office	29	\$1,043,643
Oxford Resident Office	9	\$314,194
Total	68	\$3,393,530
Miami Division		
Miami Division Office	32	\$1,315,102
Orlando District Office	24	\$548,041
Tampa District Office	16	\$673,088
West Palm Beach Resident Office	9	\$222,832
Ft. Lauderdale District Office	8	\$142,930
Total	89	\$2,901,993
Grand Total	742	\$44,980,718

Source: Statistical sample taken from CATS

⁵¹ The 50 seizures tested for the Los Angeles Division Office included 20 seizures for the Los Angeles Airport Group Office.

⁵² The number of cash seizures tested in the Washington Division included both adopted seizures and DEA seizures. As previously noted, after our preliminary testing in the Washington Division, we excluded adopted seizures from our expanded testing. Thus, we tested more seizures in the Washington Division than in the other DEA Divisions.

Statistical Sample Design

The universe of items for sample selection consisted of 2,609 non-adopted cash seizures between April 5, 2005, and November 3, 2005, by 152 DEA offices located in 20 DEA Field Divisions (excludes the Atlanta Field Division) throughout the country. A multistage clustered statistical sample was designed to provide effective and efficient coverage of the dispersed universe of sample items. The sample consisted of seven primary units (Field Divisions) from 20 with probability proportional to size at a sample fraction of 35 percent; 29 out of 152 secondary units (DEA offices) in the universe at a sample fraction of 19 percent; and 547 out of 2,609 tertiary units (cash seizures) within the seven primary units and 29 secondary units. The random sample of tertiary units yielded a sample fraction 21 percent of the universe. The details of the sample test and the testing process is presented in the body of the audit report.

Sample Test Results

The results of eight attribute tests were considered for computation of the point estimate projections. For each of the attribute tests, four types of test outcomes (characteristics) were considered: (1) test did not pass (NO), (2) the test result could not be determined (CND), (3) test passed (YES), and (4) the sampled item was not applicable to the objective of the test (NA). The estimated projections and percentages for each of these four test outcomes were computed.

To arrive at these results, the mathematical model notations, and formulae used to compute unbiased estimates of total values and the percentages is as follows.

- N The number of primary units in the universe.
- n The number of primary units sampled.
- M_i The number of secondary units in the i^{th} sampled primary unit.
- m_i The number of secondary units sampled from the i^{th} primary unit M_i .
- R_{ij} The number of tertiary units in the j^{th} sampled secondary unit from the i^{th} sampled primary unit.

r_{ij} The number of tertiary units (test items) sampled from the j^{th} sampled secondary unit within i^{th} sampled primary unit R_{ij} .

y_{ijk} Random variable and its value corresponding to k^{th} sampled tertiary unit from the j^{th} secondary unit sampled from the i^{th} primary unit.

y_{iik} $\left\{ \begin{array}{l} 1 \text{ If } k^{th} \text{ sampled item selected from the } j^{th} \text{ secondary unit selected from the } i^{th} \text{ primary unit found to have the characteristic.} \\ 0 \text{ Otherwise} \end{array} \right.$

Thus $y_{ijk} \in \{0,1\}$

\hat{Y} Estimate of the total number of items in the population with the characteristic.

\hat{Y}_i Estimate of the total number of items in the i^{th} primary unit with the characteristic.

\hat{Y}_{ij} Estimate of the total number of items in the j^{th} secondary unit selected from the i^{th} primary unit with the characteristic.

π_i The probability of including the i^{th} primary unit in the sample.

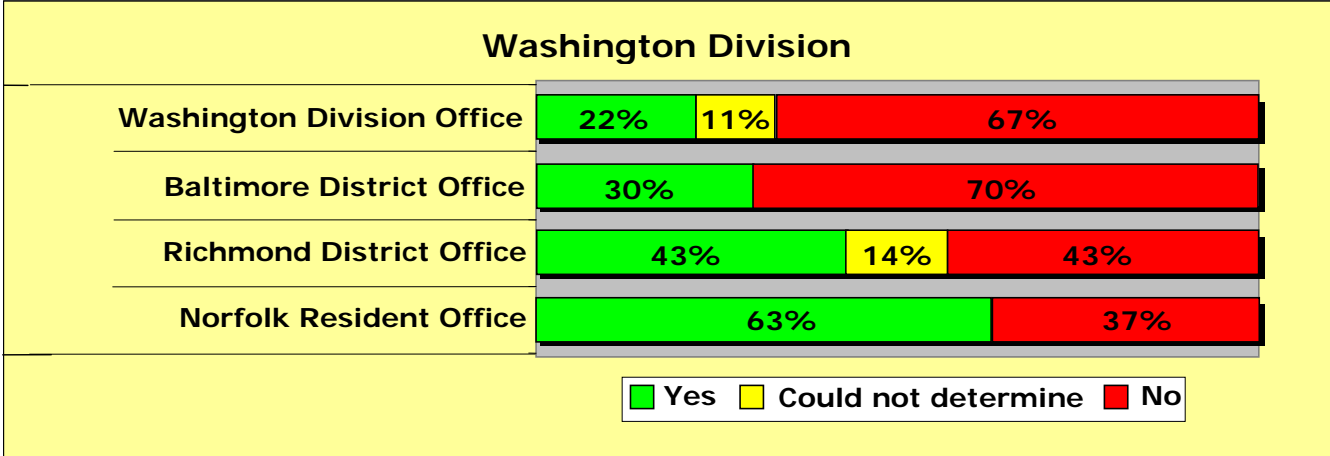
$$\hat{Y}_{ij} = \frac{R_{ij}}{r_{ij}} \sum_{k=1}^{r_{ij}} y_{ijk}$$

$$\hat{Y}_i = \frac{M_i}{m_i} \sum_{j=1}^{m_i} \frac{R_{ij}}{r_{ij}} \sum_{k=1}^{r_{ij}} y_{ijk}$$

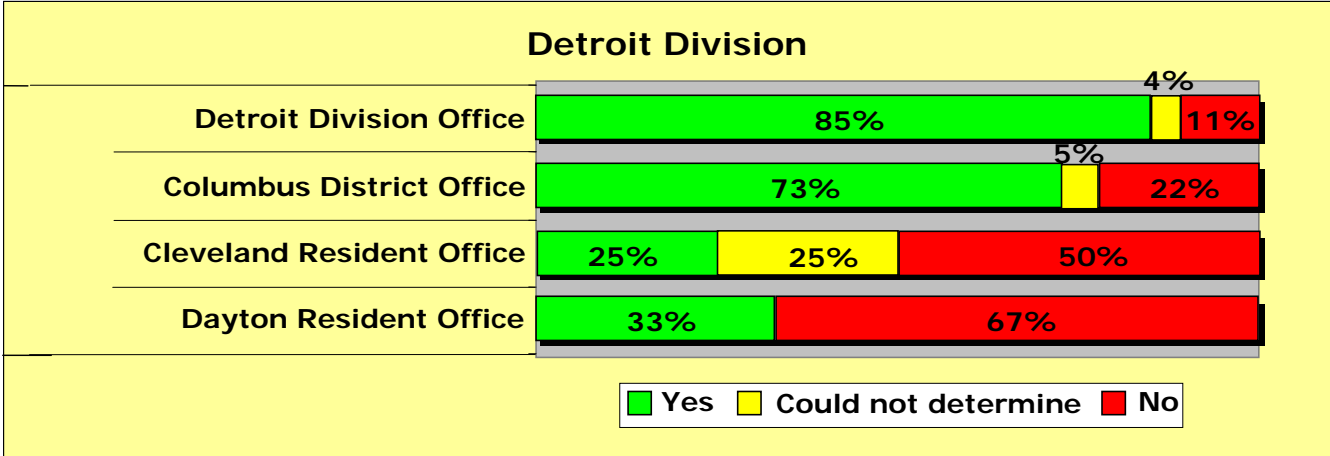
$$\hat{Y} = \sum_{i=1}^v \frac{\hat{Y}_i}{\pi_i}$$

The percentage of each characteristic was computed after subtracting the number of non-applicable items from the total as denominator.

Presence of a Witnessing Agent or Officer when Cash was Discovered⁵³



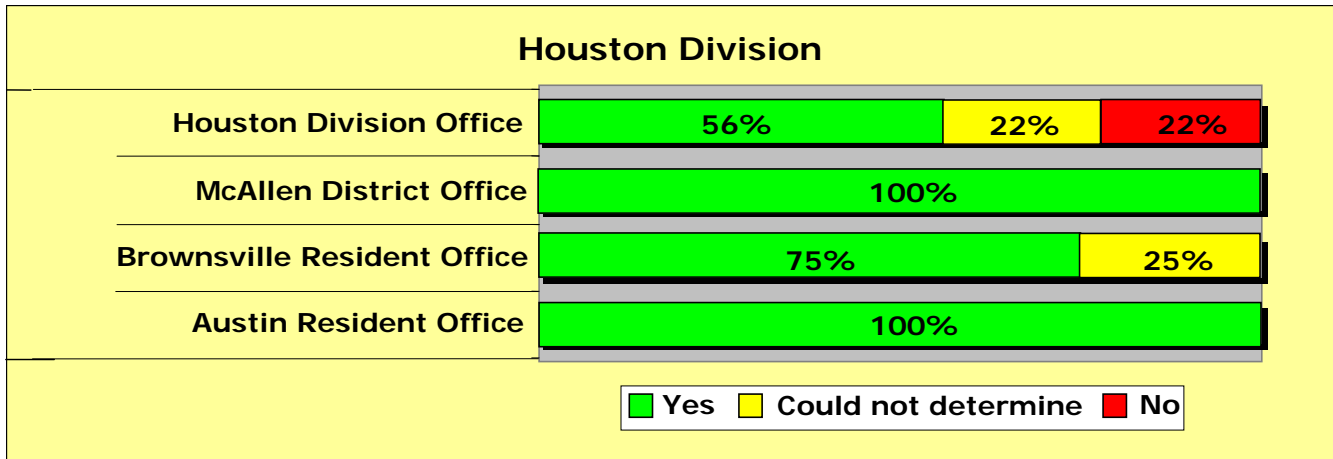
Source: OIG analysis of DEA records



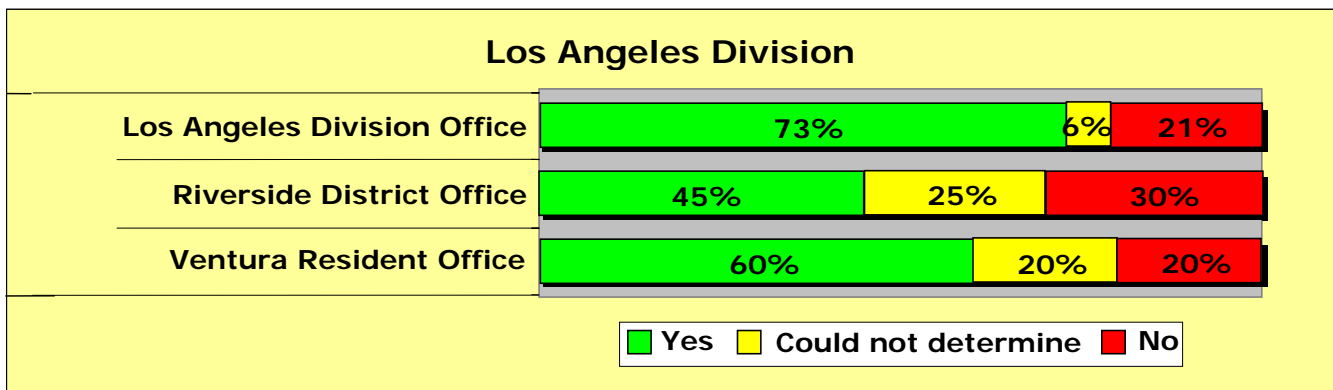
Source: OIG analysis of DEA records

⁵³ "Yes" means documentation showed that a witnessing agent or officer was involved. "No" means documentation showed that only one witnessing agent or officer was involved. "Could not determine" means the documentation did not provide sufficient information to confirm whether a witnessing agent or officer was involved.

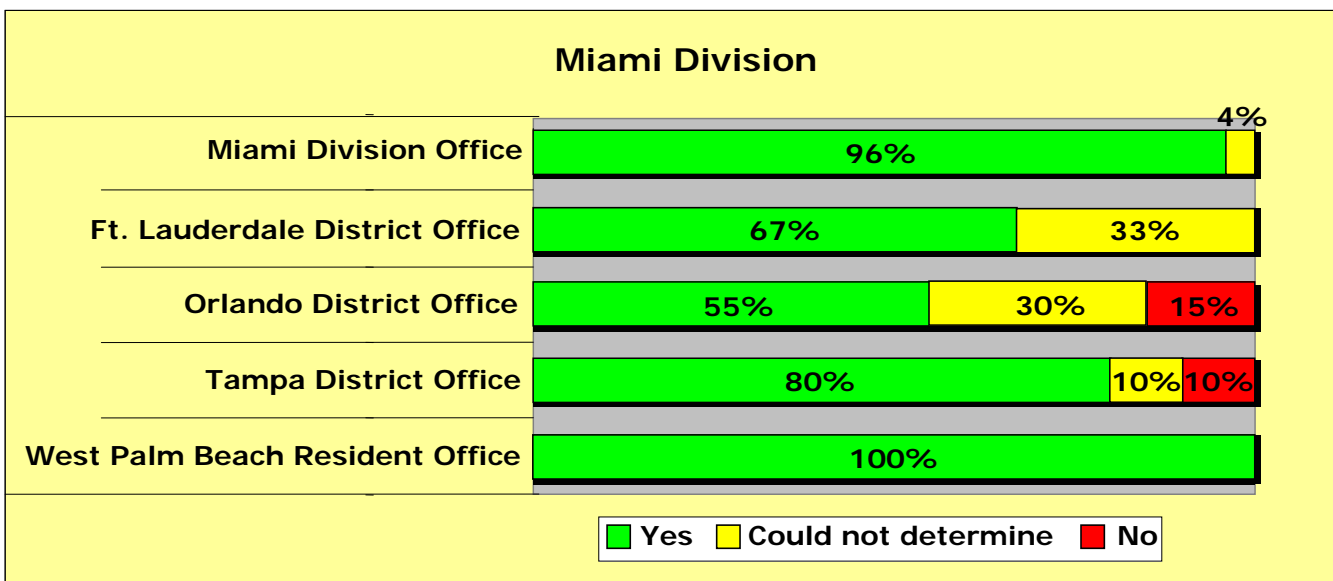
Presence of a Witnessing Agent or Officer when Cash was Discovered



Source: OIG analysis of DEA records

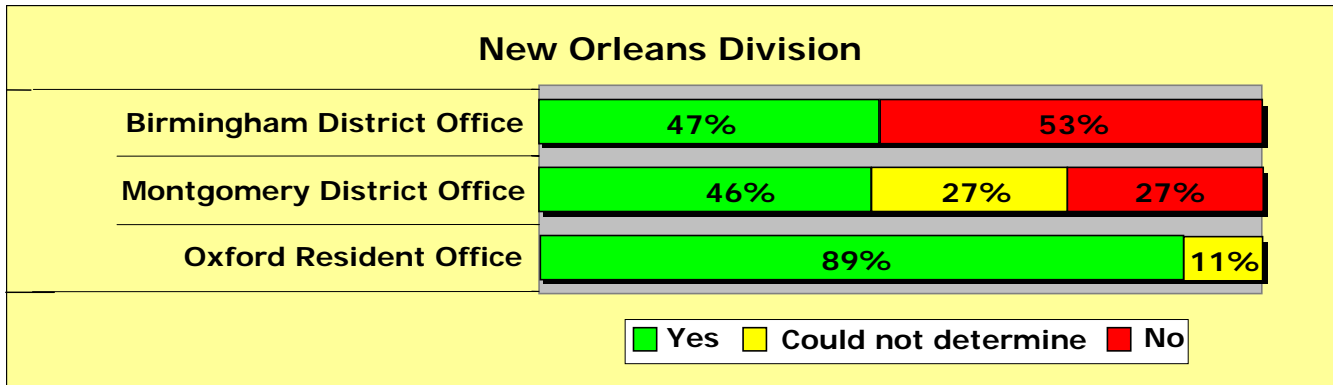


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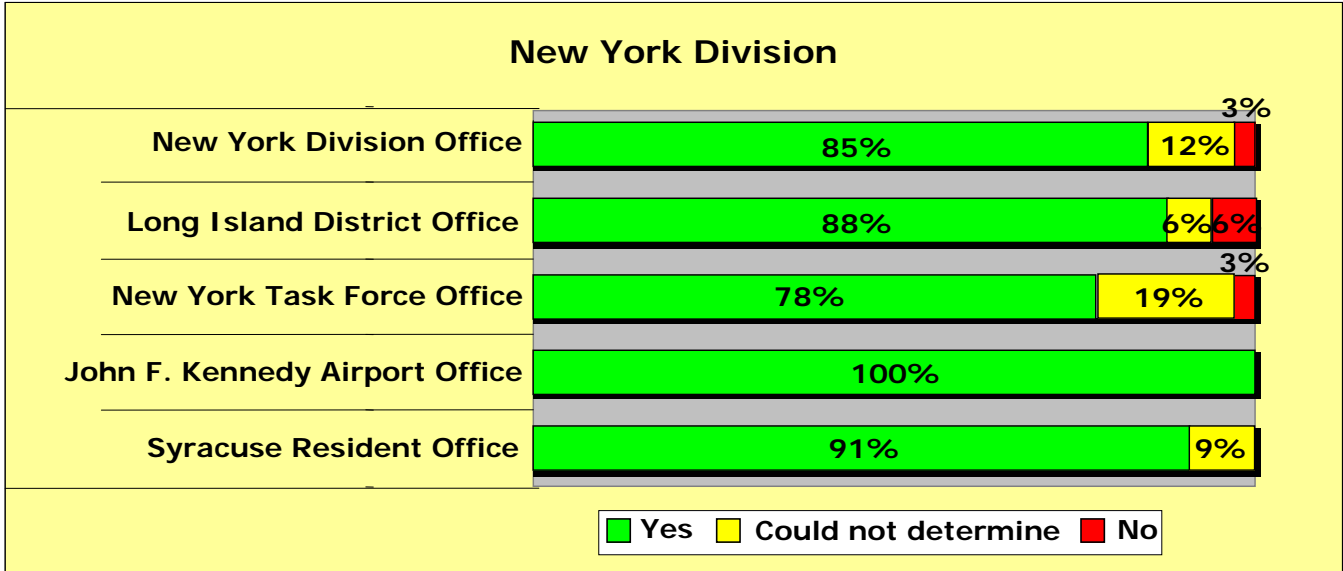


Source: OIG analysis of DEA records

Presence of a Witnessing Agent or Officer when Cash was Discovered

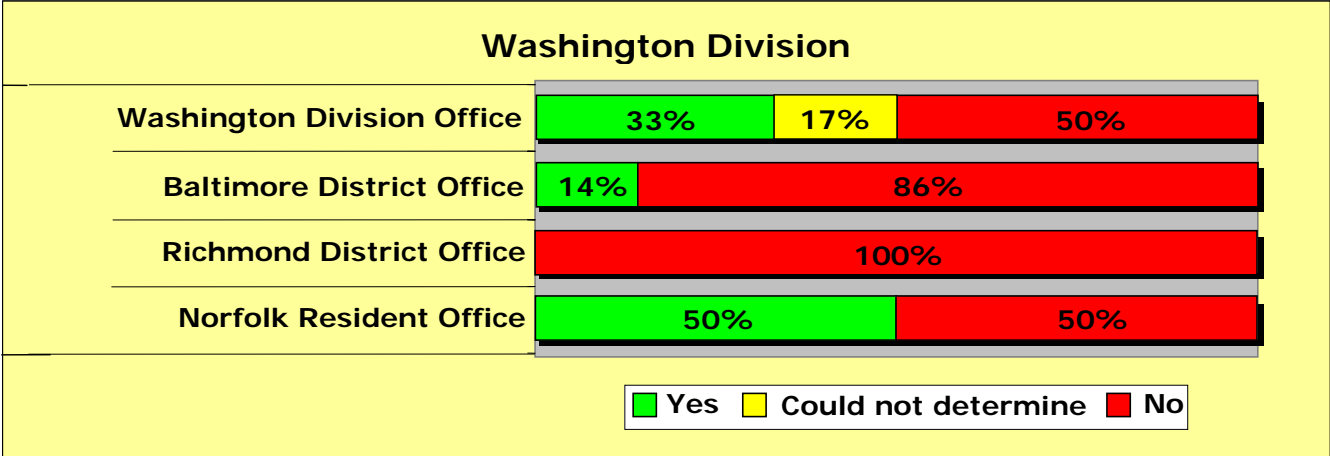


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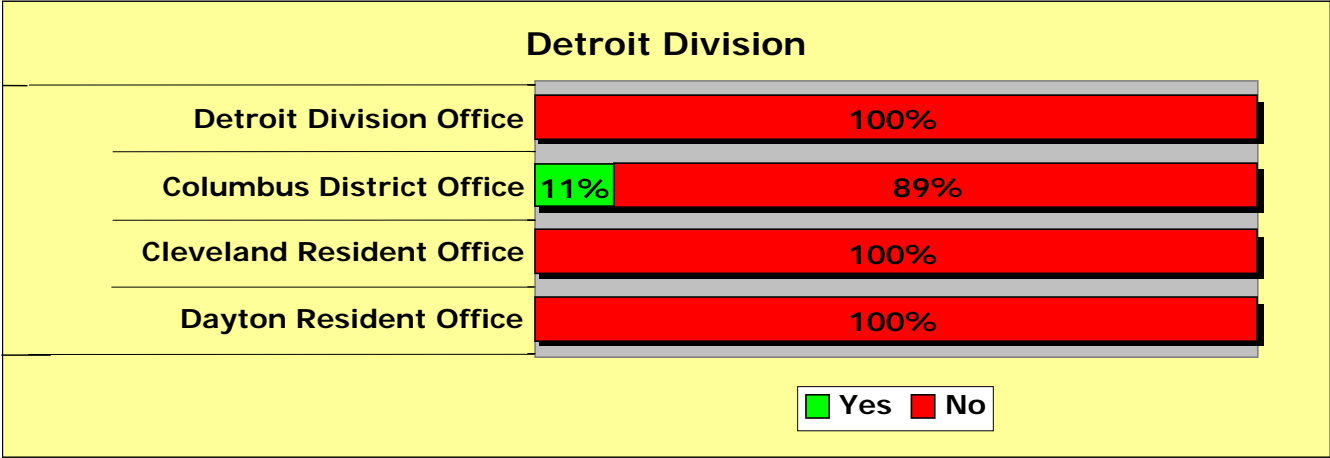


Source: OIG analysis of DEA records

**Counting Seized Cash
(By Division/Office)⁵⁴**



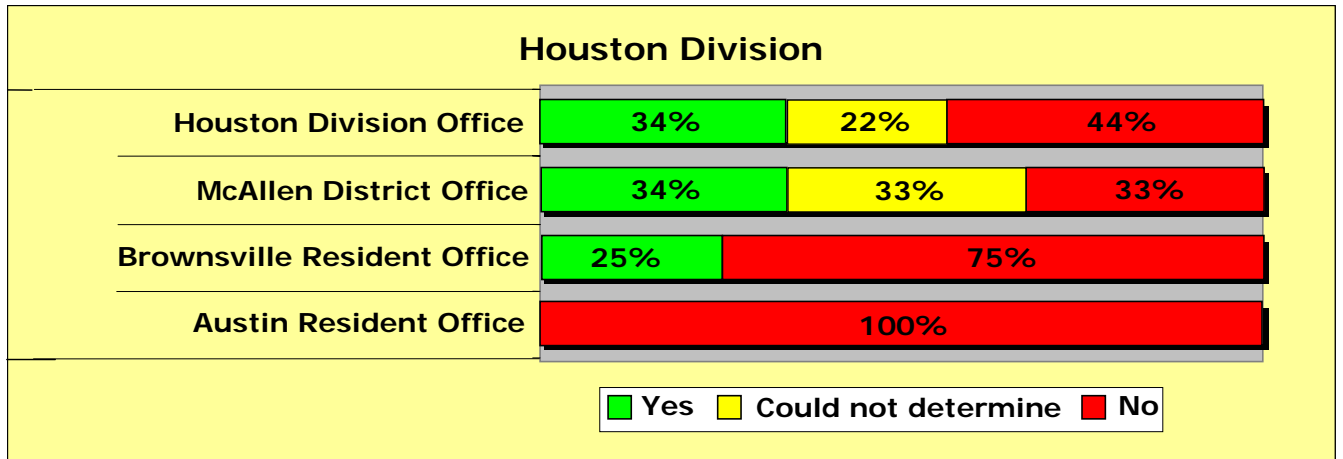
Source: OIG analysis of DEA records



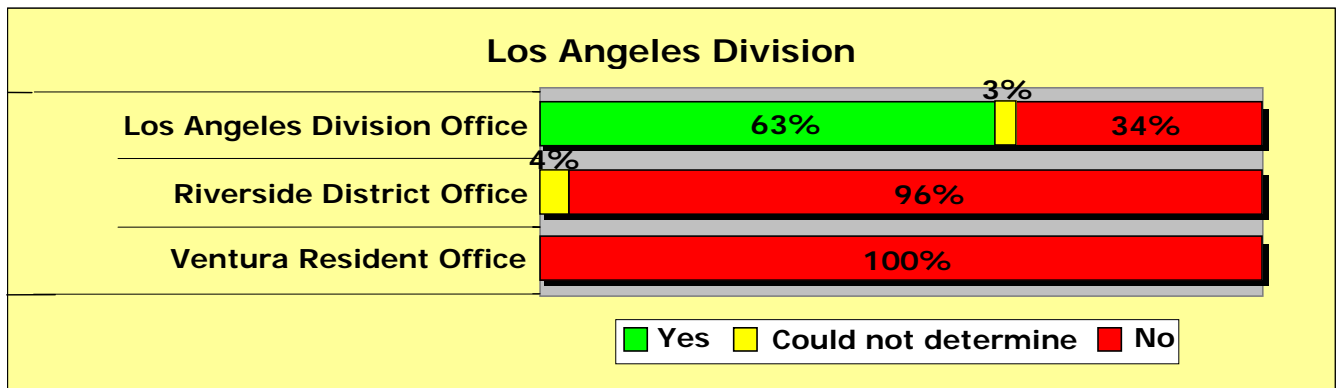
Source: OIG analysis of DEA records

⁵⁴ As for the counting of seized cash, "Yes" means documentation showed the seized cash was counted, "No" means documentation showed the seized cash was not counted, and "Could not determine" means the documentation did not provide sufficient information to confirm whether the seized cash was counted.

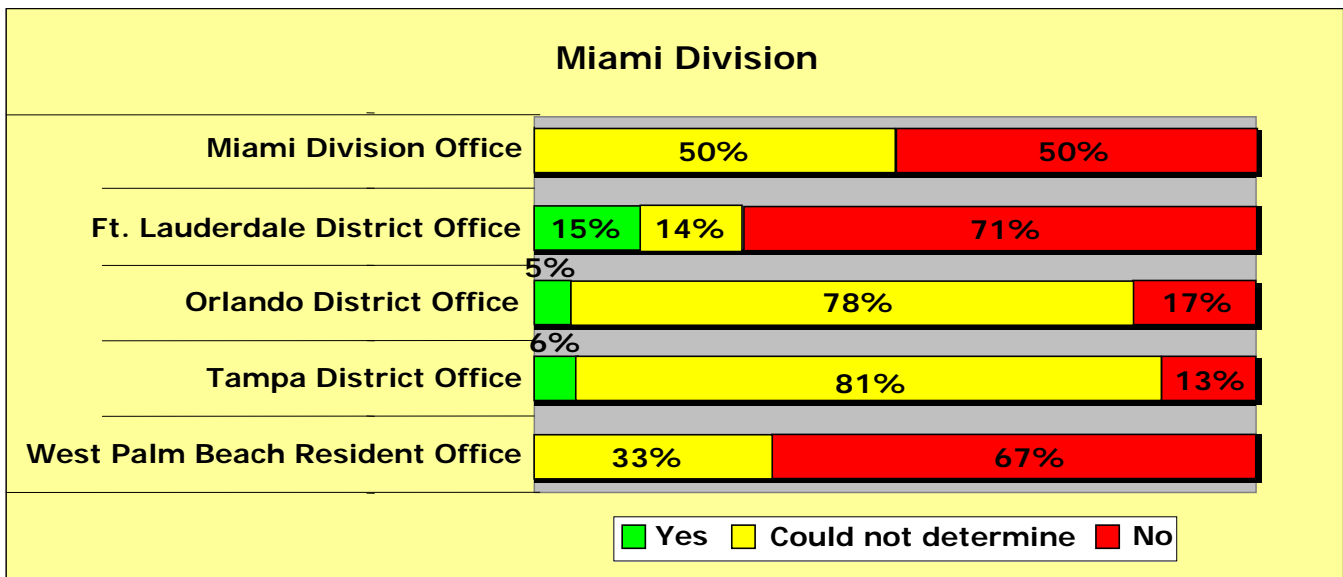
Counting Seized Cash (By Division/Office)



Source: OIG analysis of DEA records

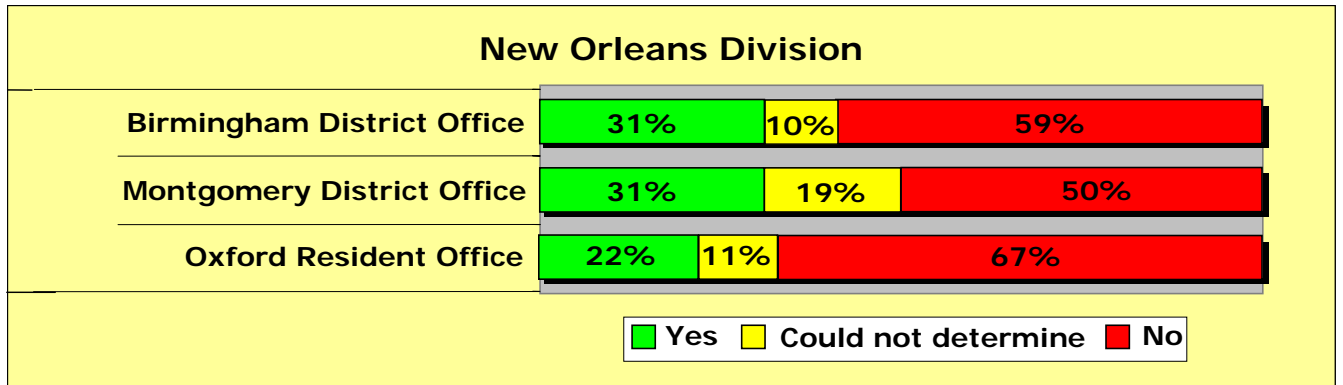


Source: OIG analysis of DEA records

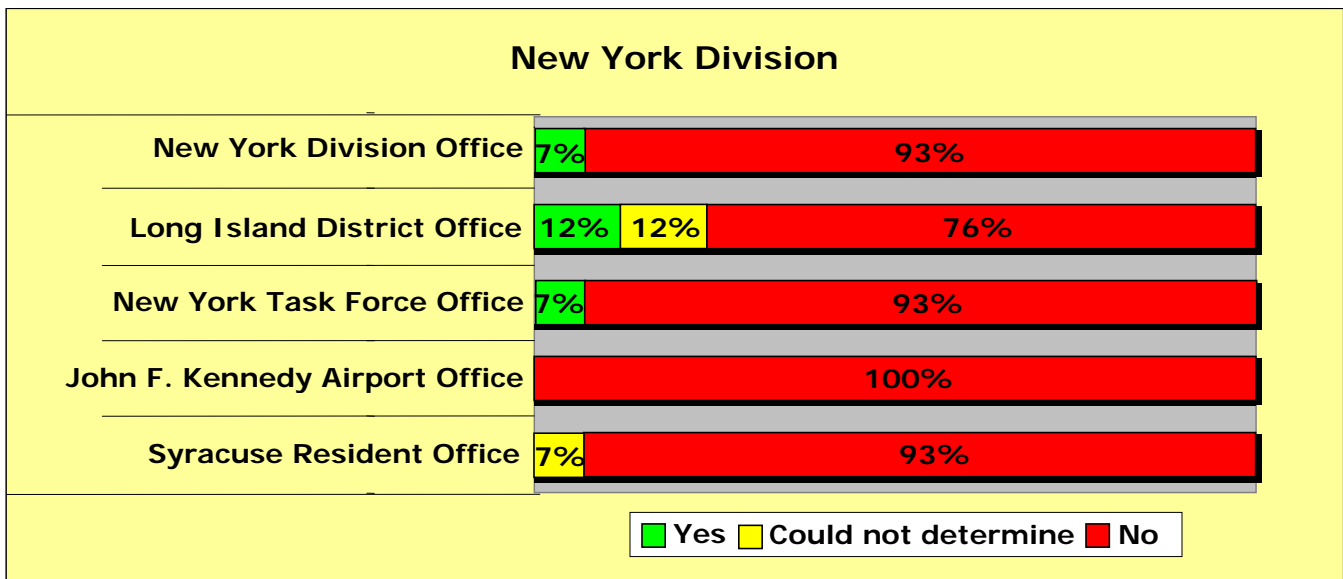


Source: OIG analysis of DEA records

Counting Seized Cash (By Division/Office)

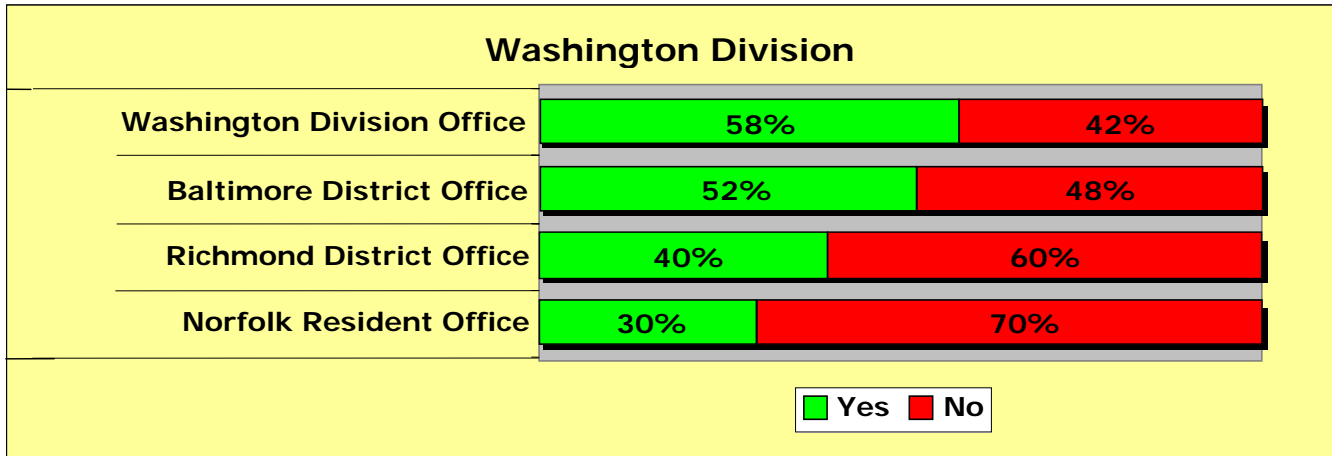


Source: OIG analysis of DEA records

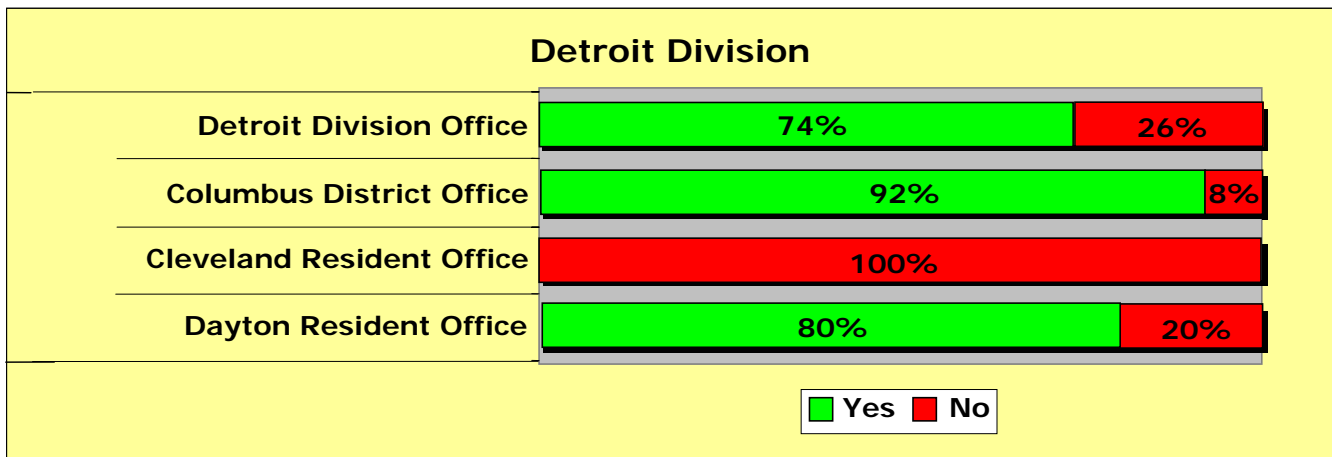


Source: OIG analysis of DEA records

Agents Provided a Receipt or Warrant to the Owner of the Seized Cash⁵⁵



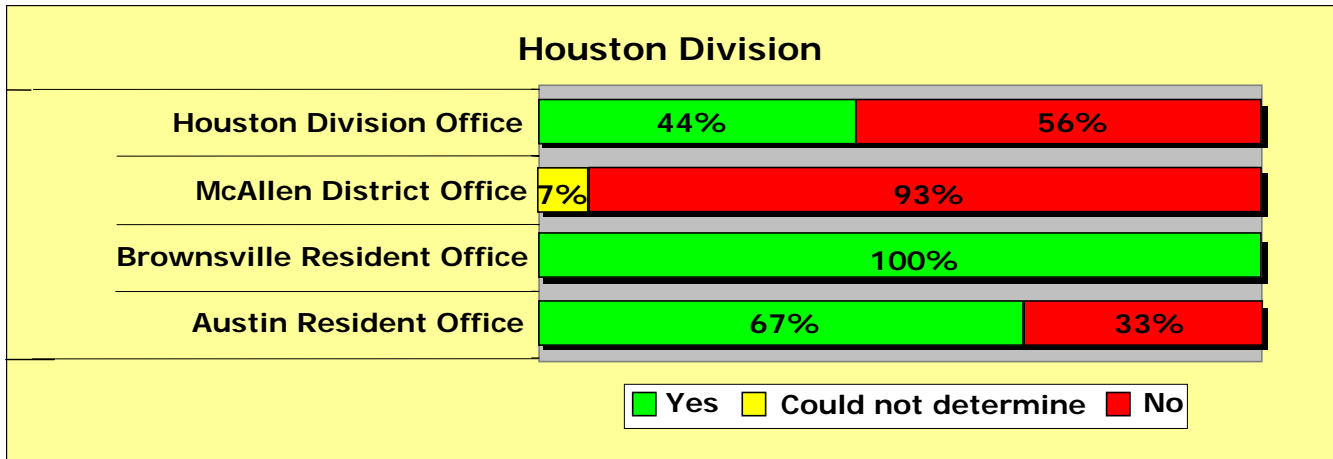
Source: OIG analysis of DEA records



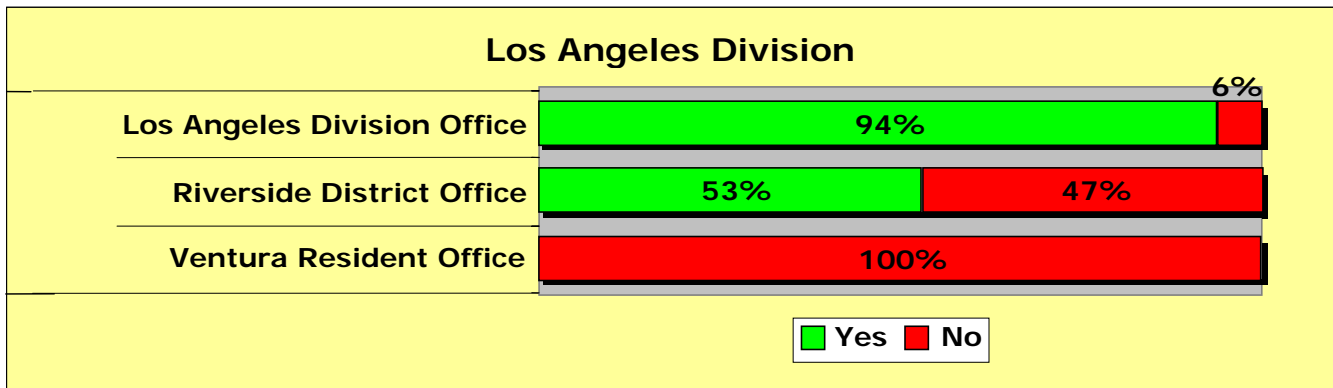
Source: OIG analysis of DEA records

⁵⁵ "Yes" means documentation showed the agents provided the owner of the seized cash either a receipt (DEA-12) or a copy of the seizure warrant if applicable. "No" means documentation showed the agents did not provide the owner of the seized cash either a receipt (DEA-12) or a copy of the seizure warrant if applicable. "Could not determine" means the documentation did not provide sufficient information to confirm whether the agents provided the owner of the seized cash either a receipt (DEA-12) or a copy of the seizure warrant if applicable.

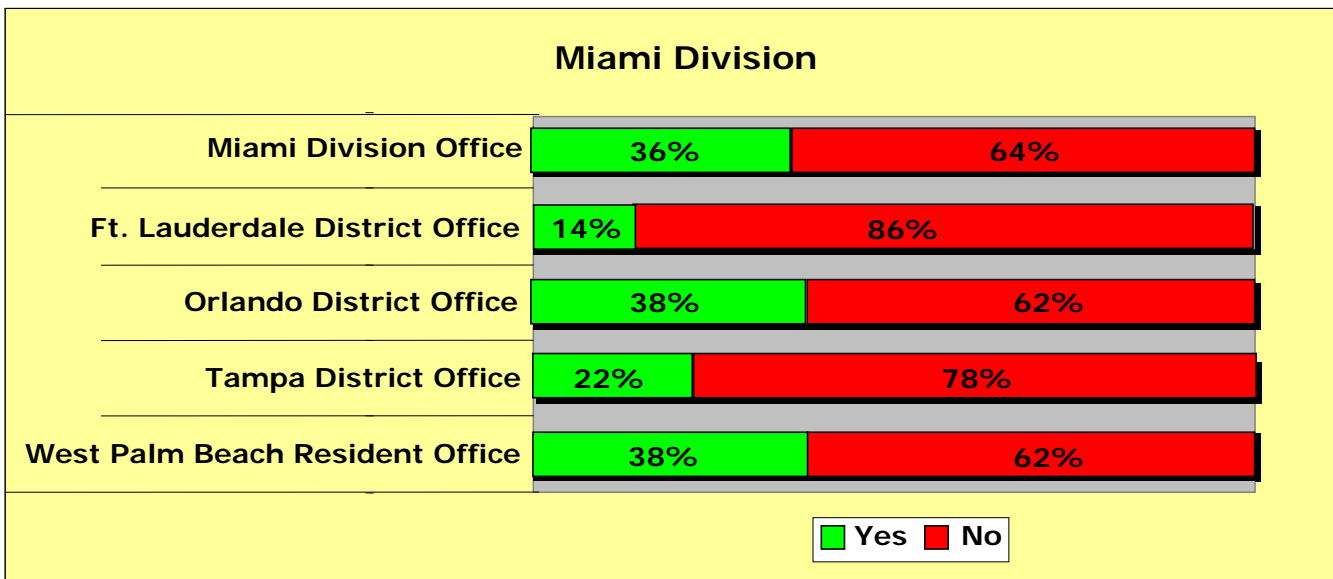
Agents Provided a Receipt or Warrant to the Owner of the Seized Cash



Source: OIG analysis of DEA records

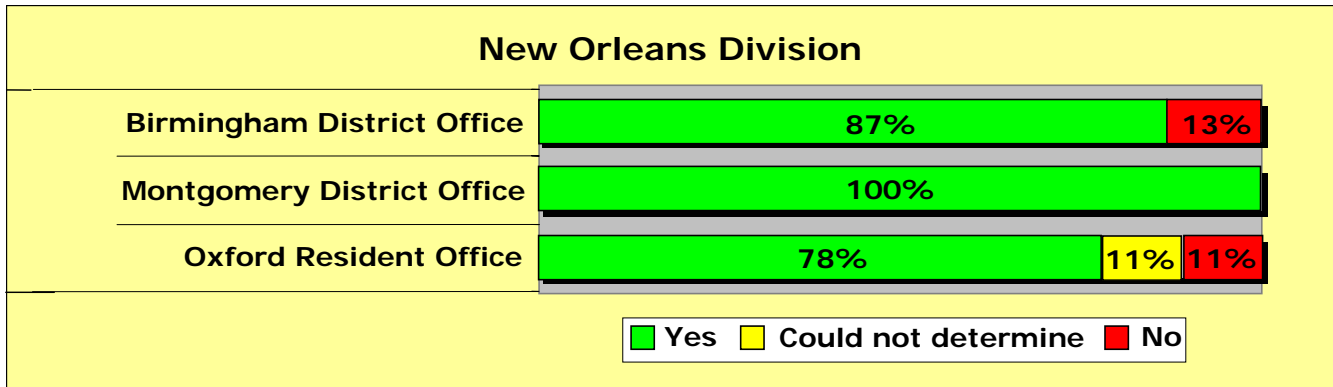


Source: OIG analysis of DEA records

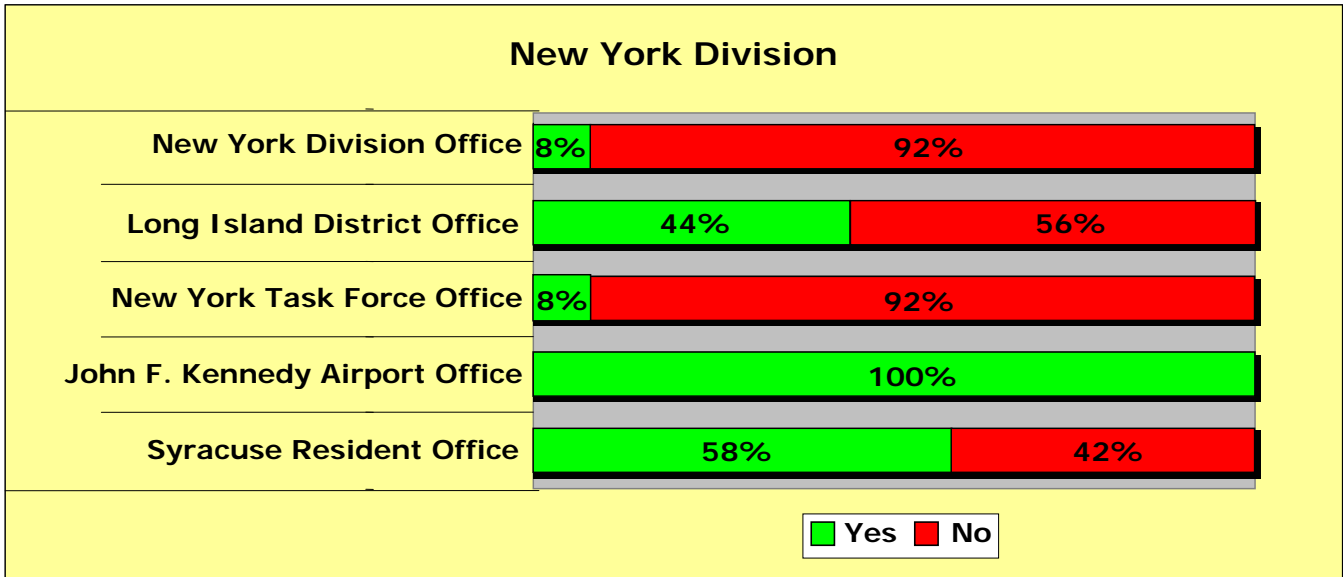


Source: OIG analysis of DEA records

Agents Provided a Receipt or Warrant to the Owner of the Seized Cash

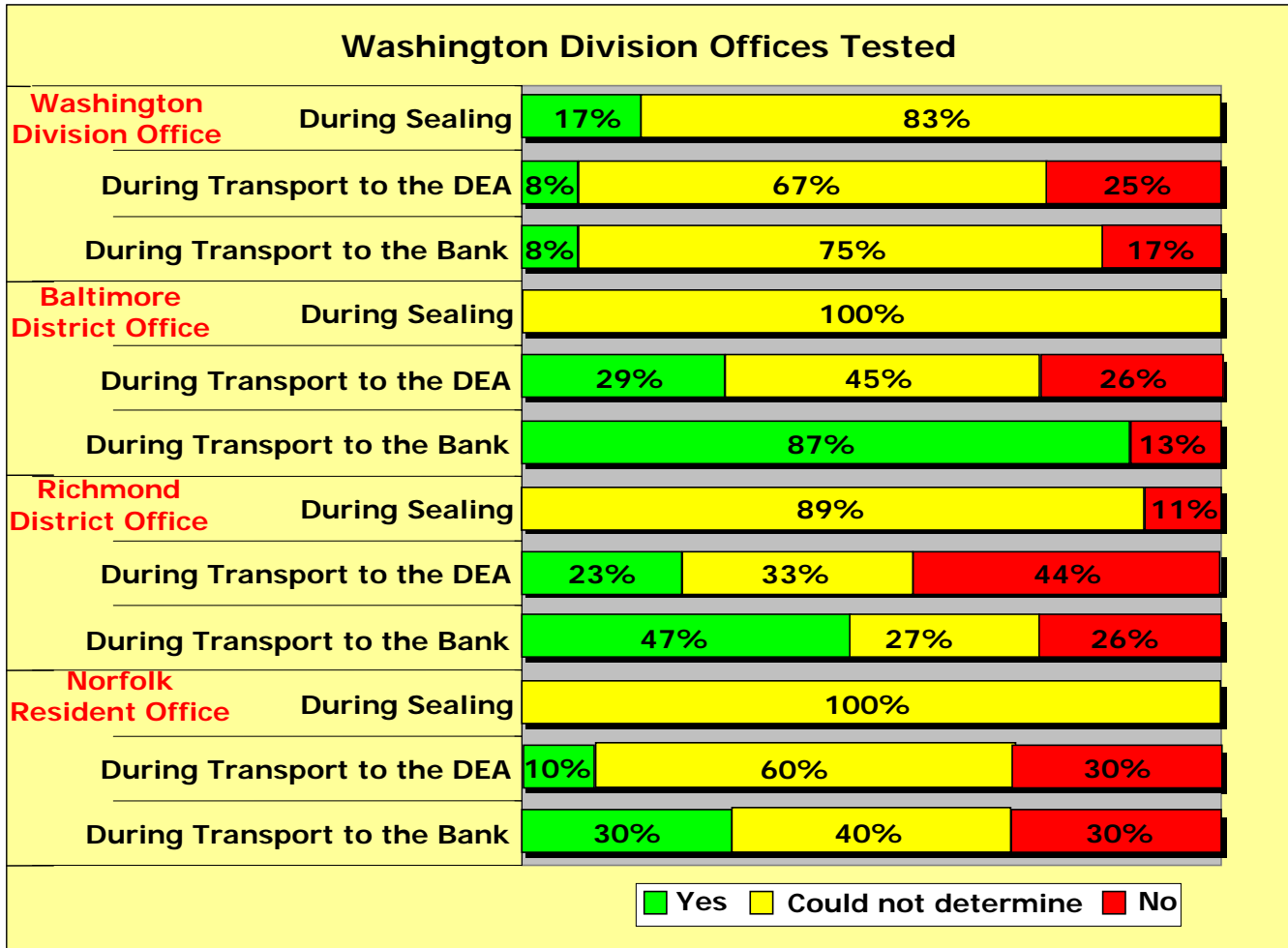


Source: OIG analysis of DEA records



Source: OIG analysis of DEA records

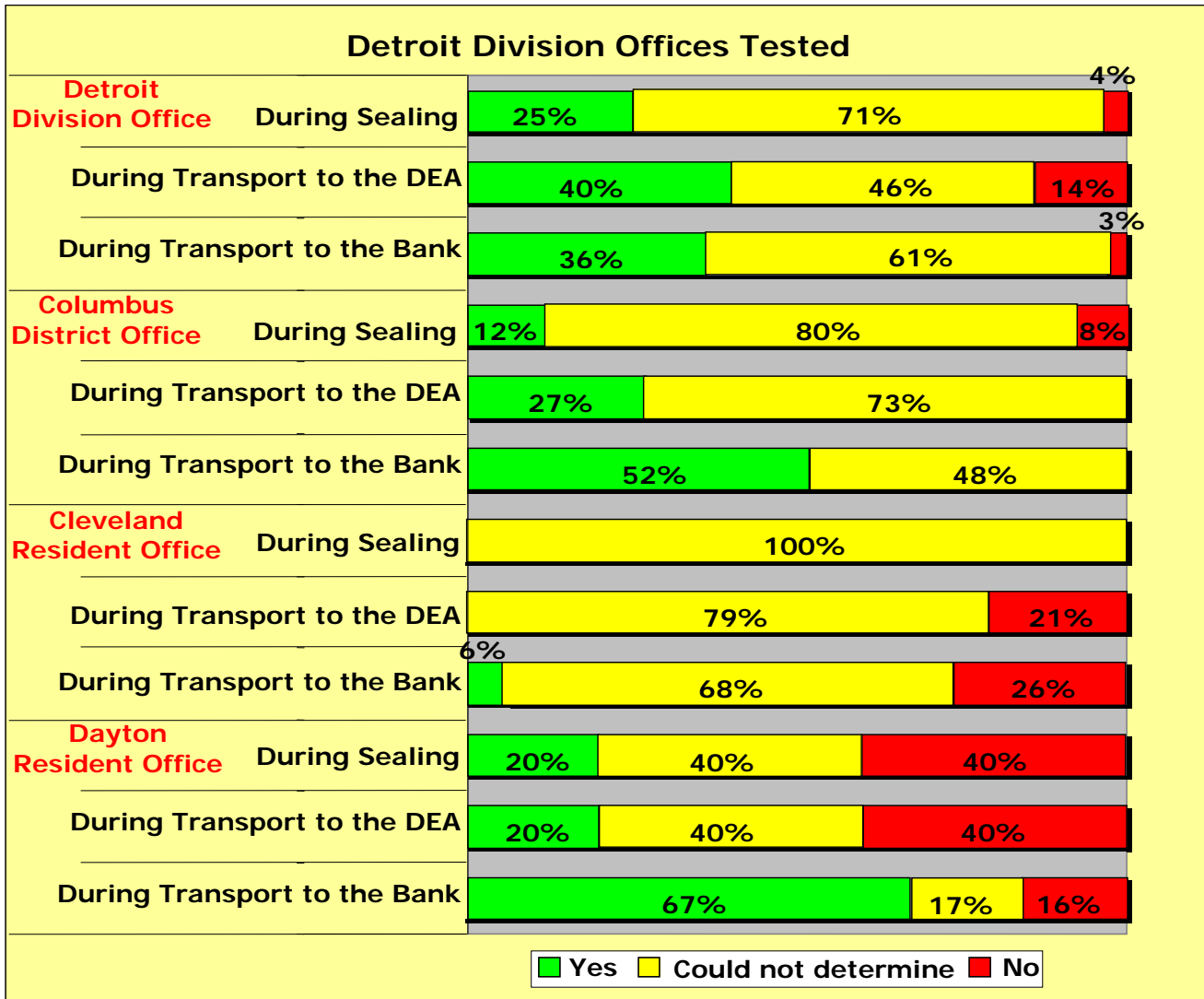
**Presence of a Witnessing Agent or Officer
at Various Stages of the Cash Handling Process⁵⁶**



Source: OIG analysis of DEA records

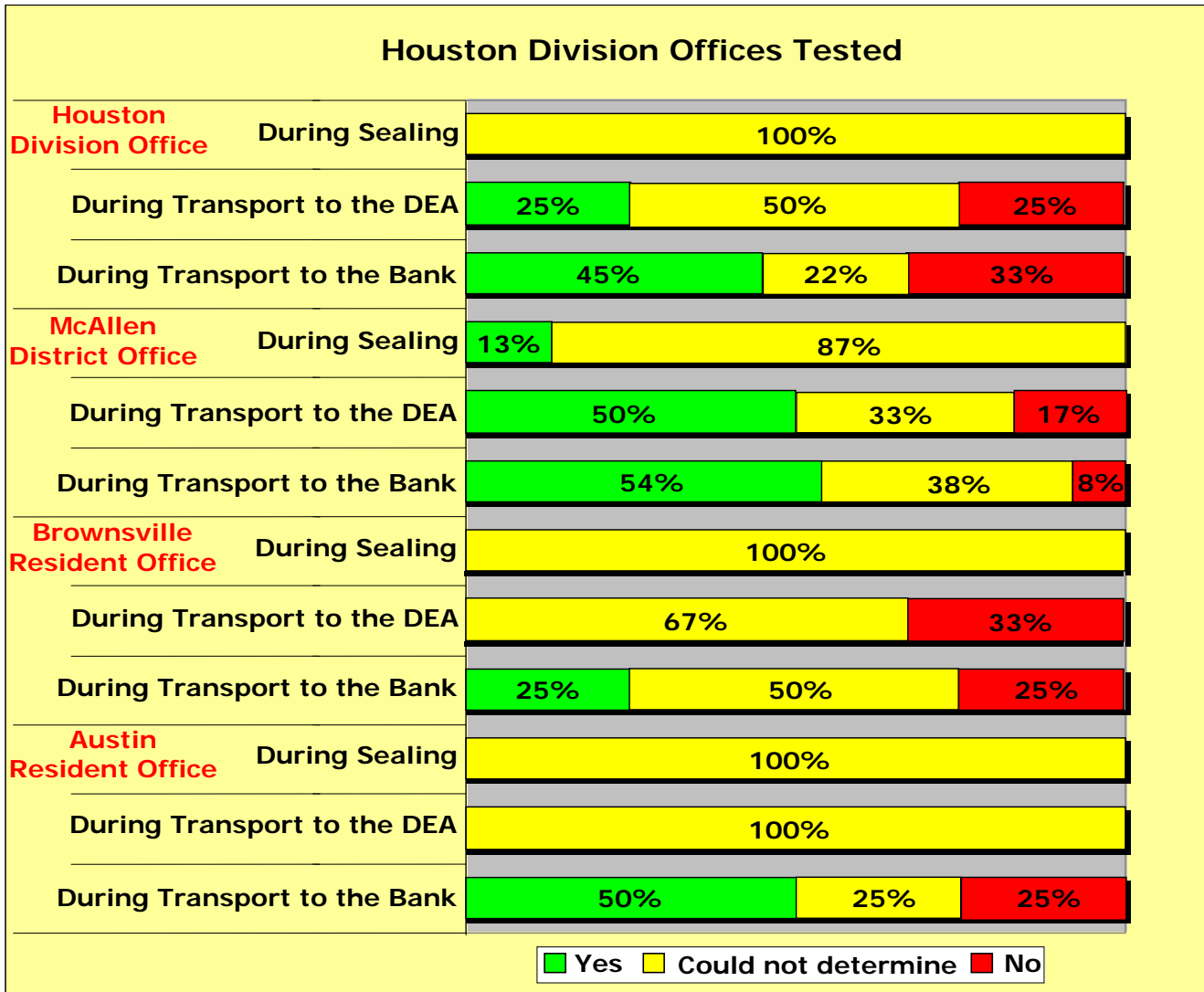
⁵⁶ "Yes" means documentation showed the name of the witnessing agent or officer who was present or involved. "No" means documentation showed the name of only one agent or officer who was present or involved. "Could not determine" means the documentation did not provide sufficient information to confirm whether a witnessing agent or officer was present or involved.

Presence of a Witnessing Agent or Officer at Various Stages of the Cash Handling Process



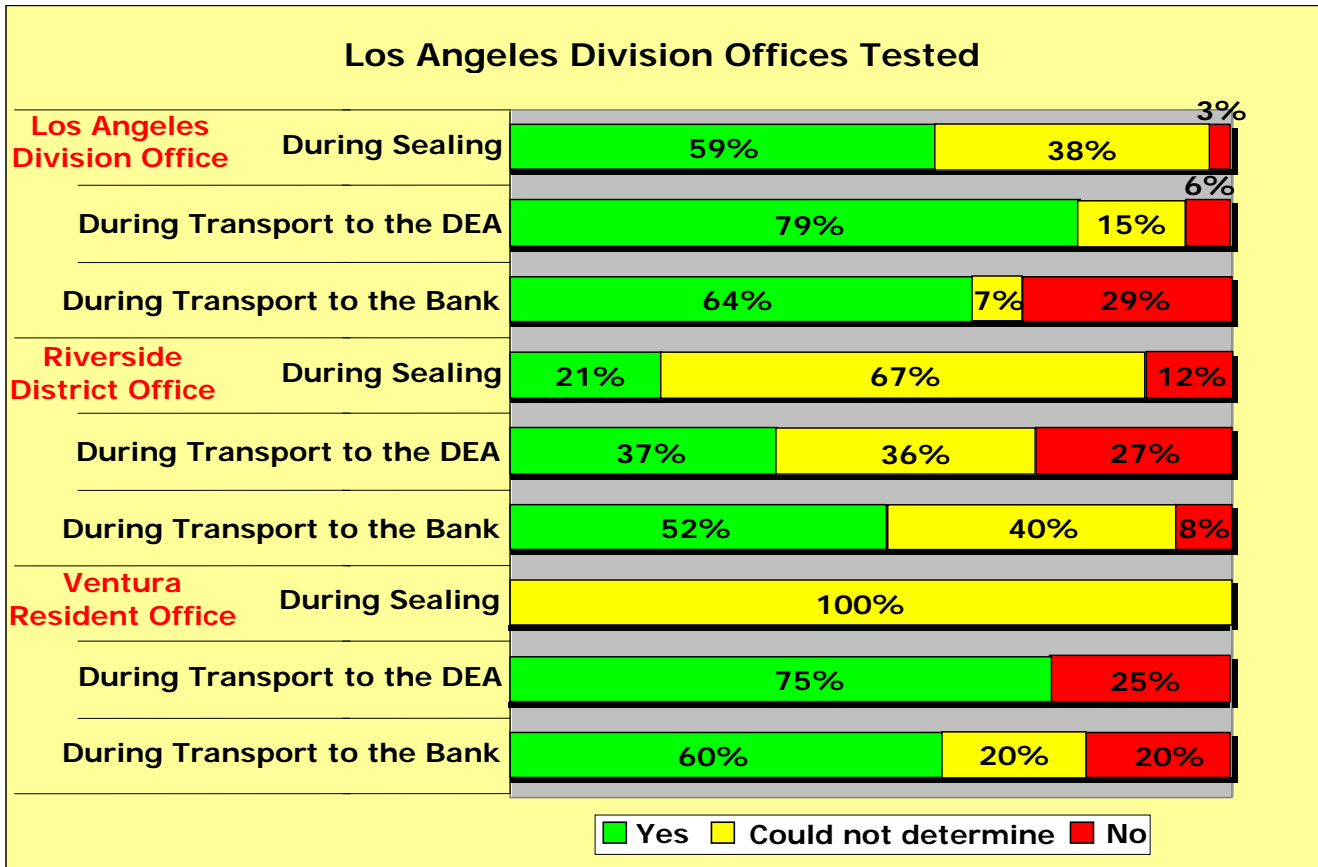
Source: OIG analysis of DEA records

Presence of a Witnessing Agent or Officer at Various Stages of the Cash Handling Process



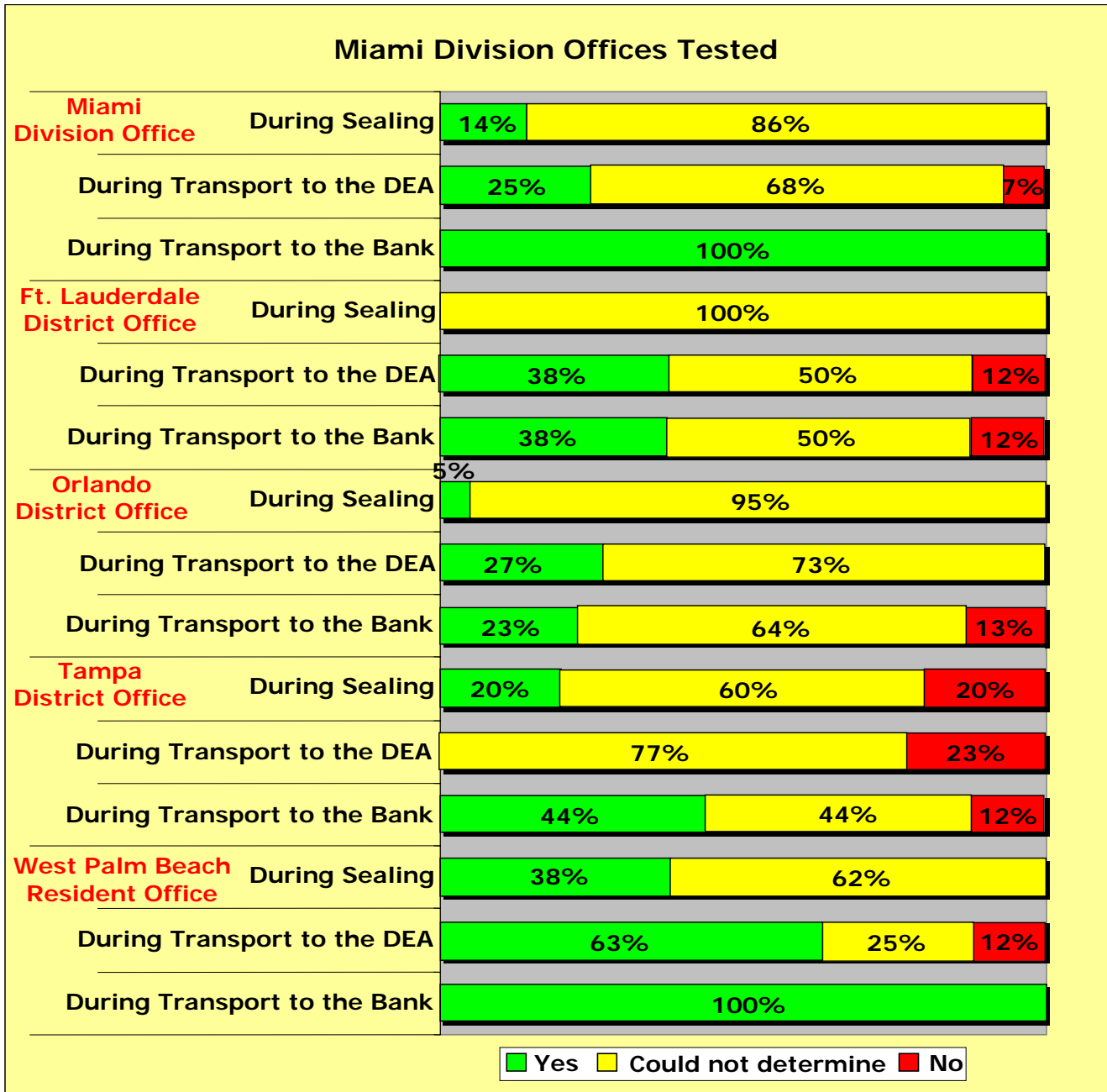
Source: OIG analysis of DEA records

Presence of a Witnessing Agent or Officer at Various Stages of the Cash Handling Process



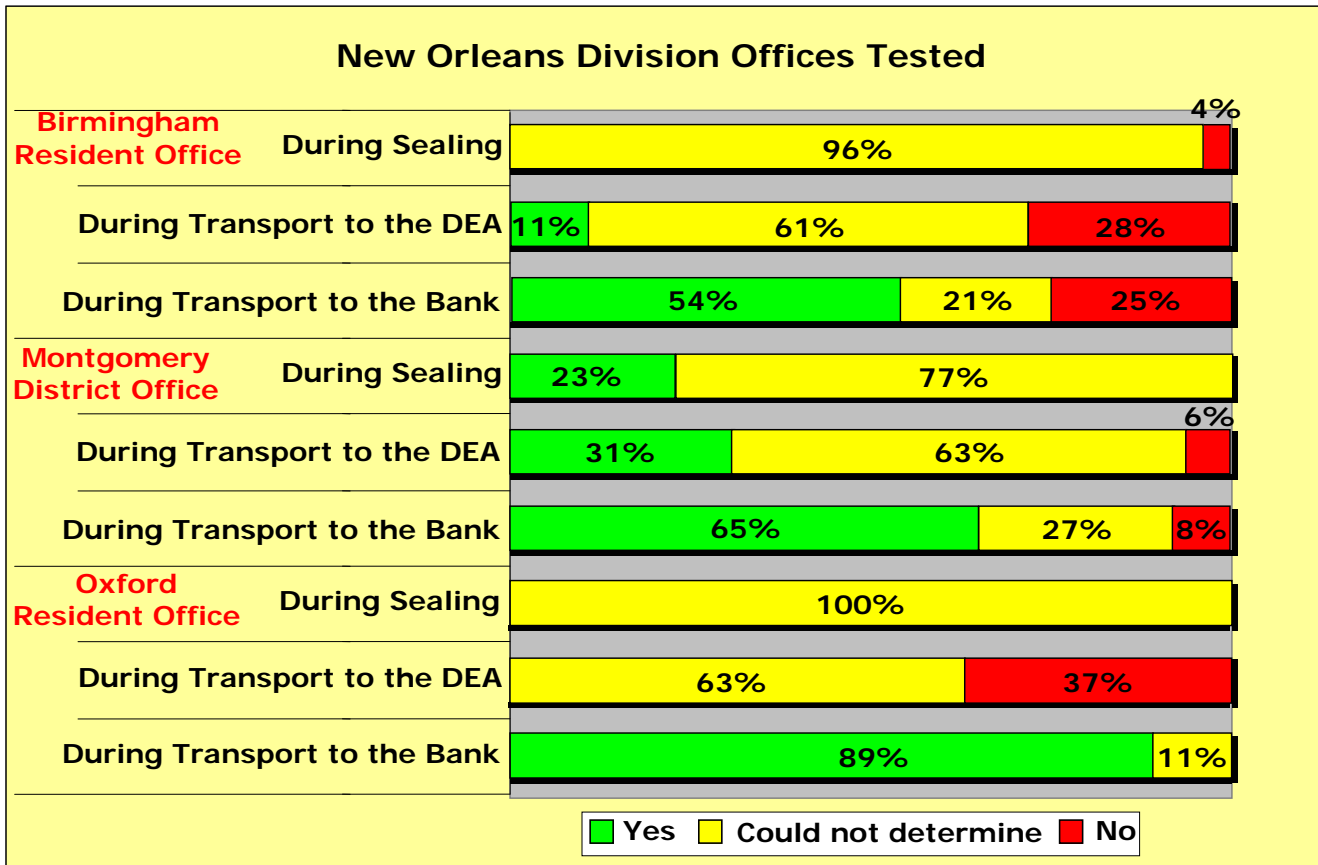
Source: OIG analysis of DEA records

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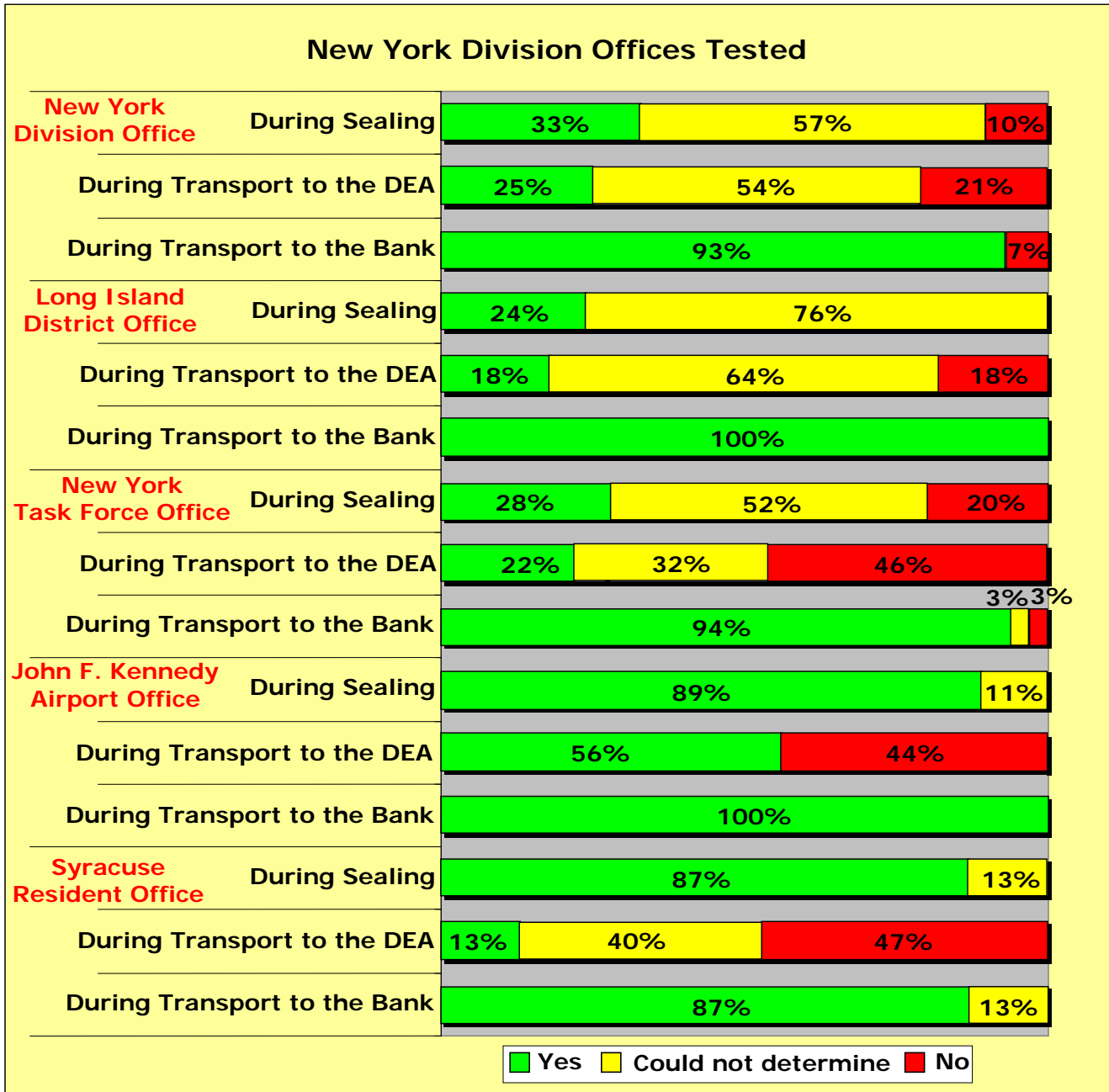
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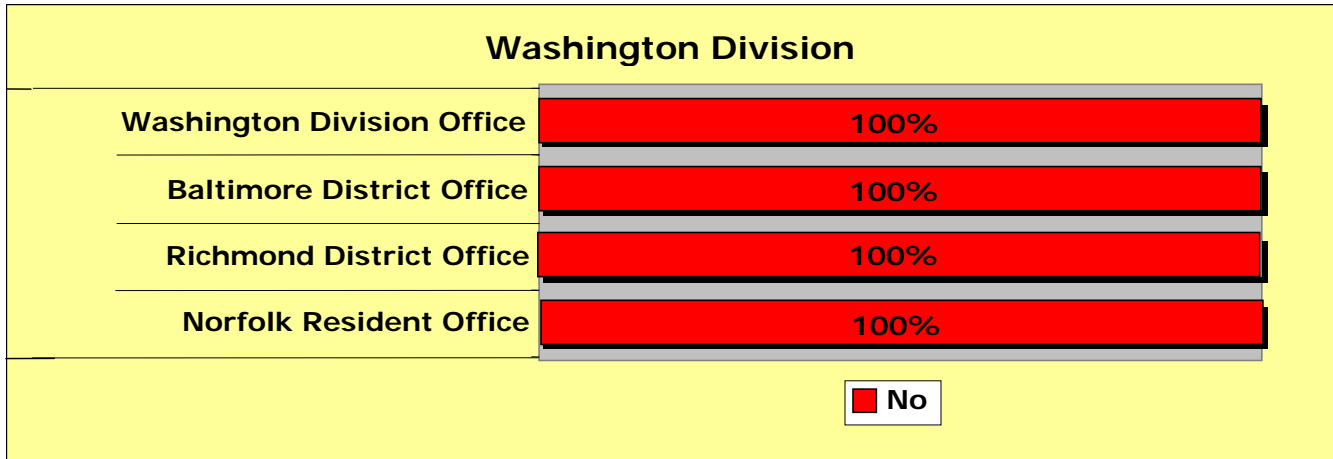
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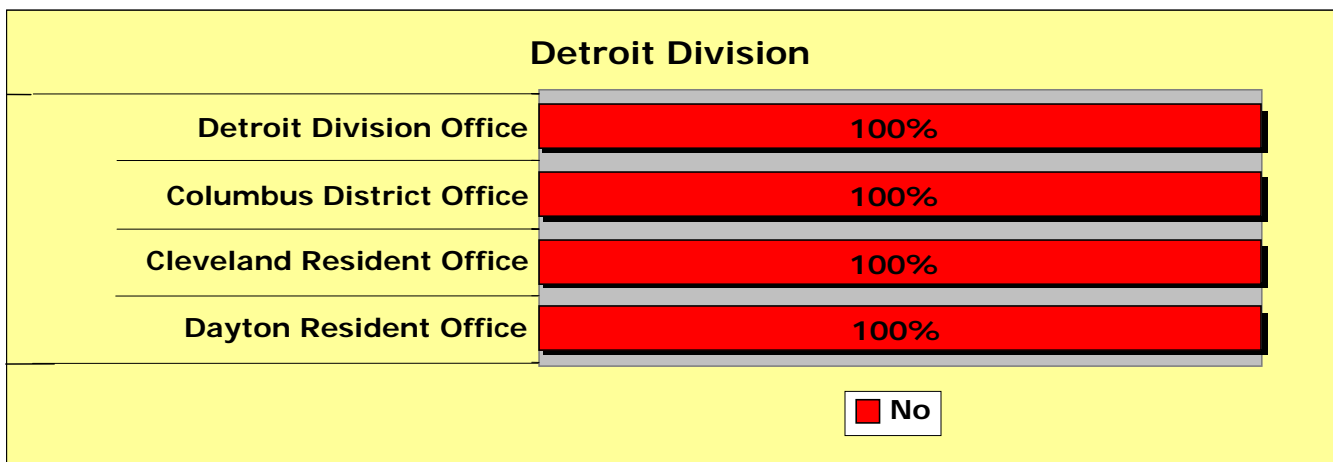


Source: OIG analysis of DEA records

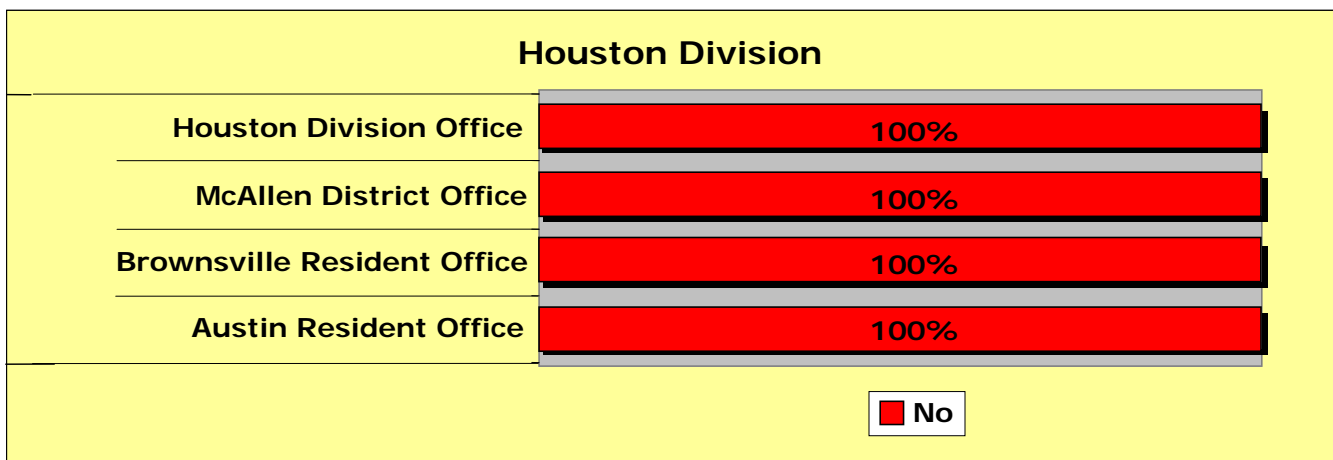
Recording Seized Cash in the HVSRM Ledger



Source: OIG analysis of DEA records

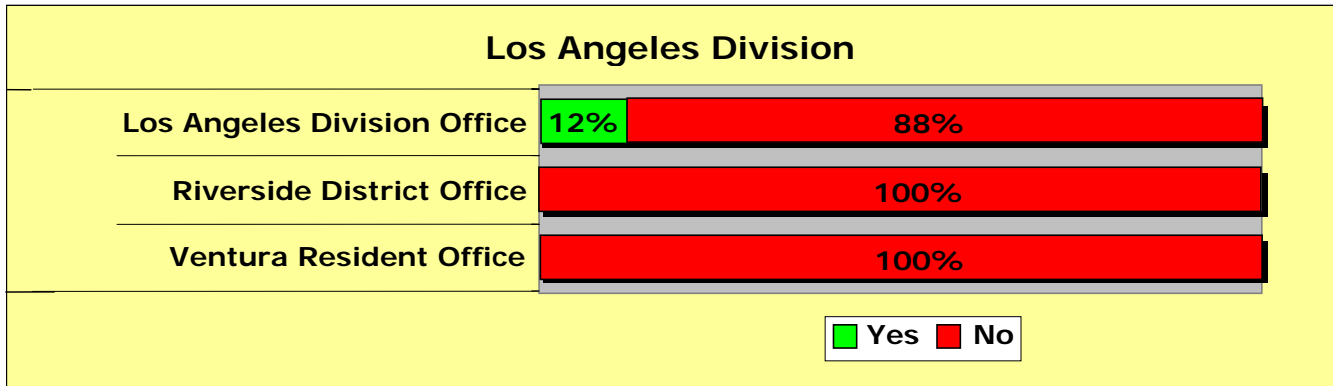


Source: OIG analysis of DEA records

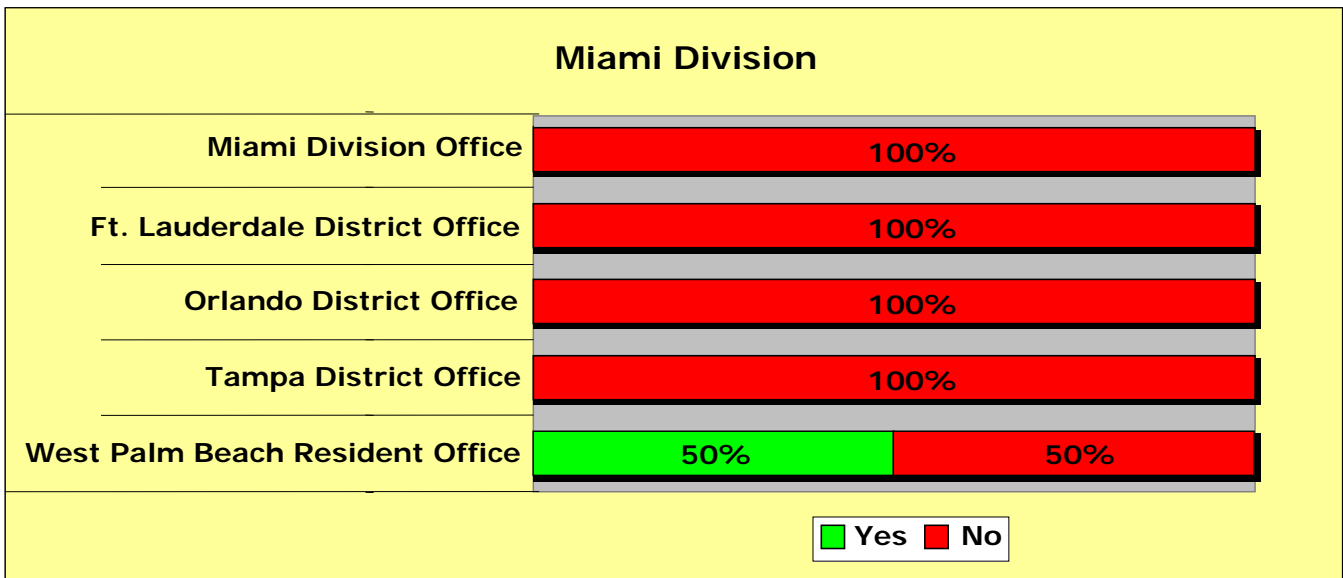


Source: OIG analysis of DEA records

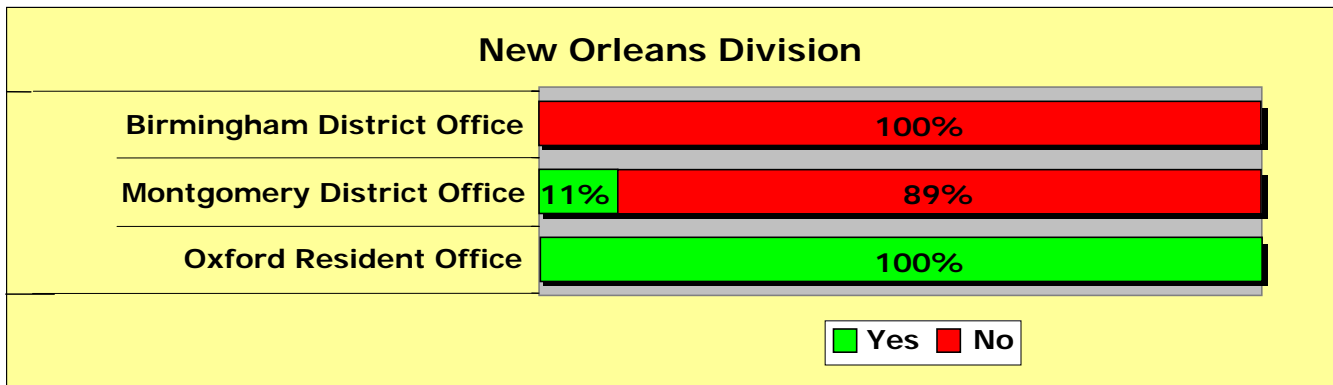
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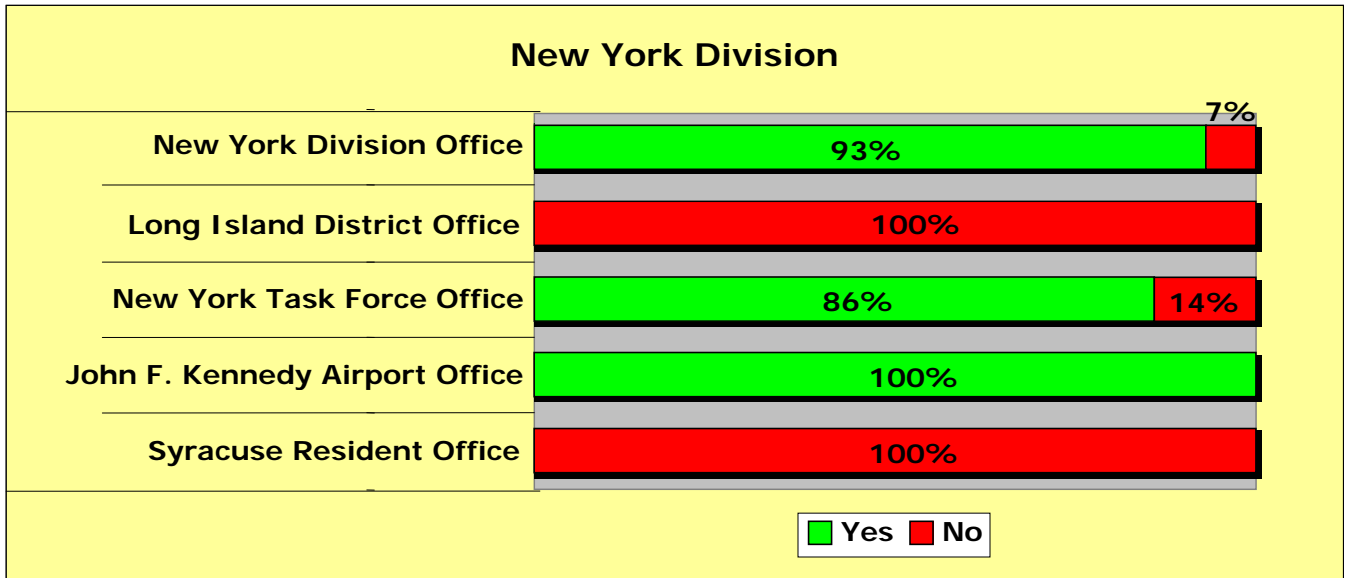


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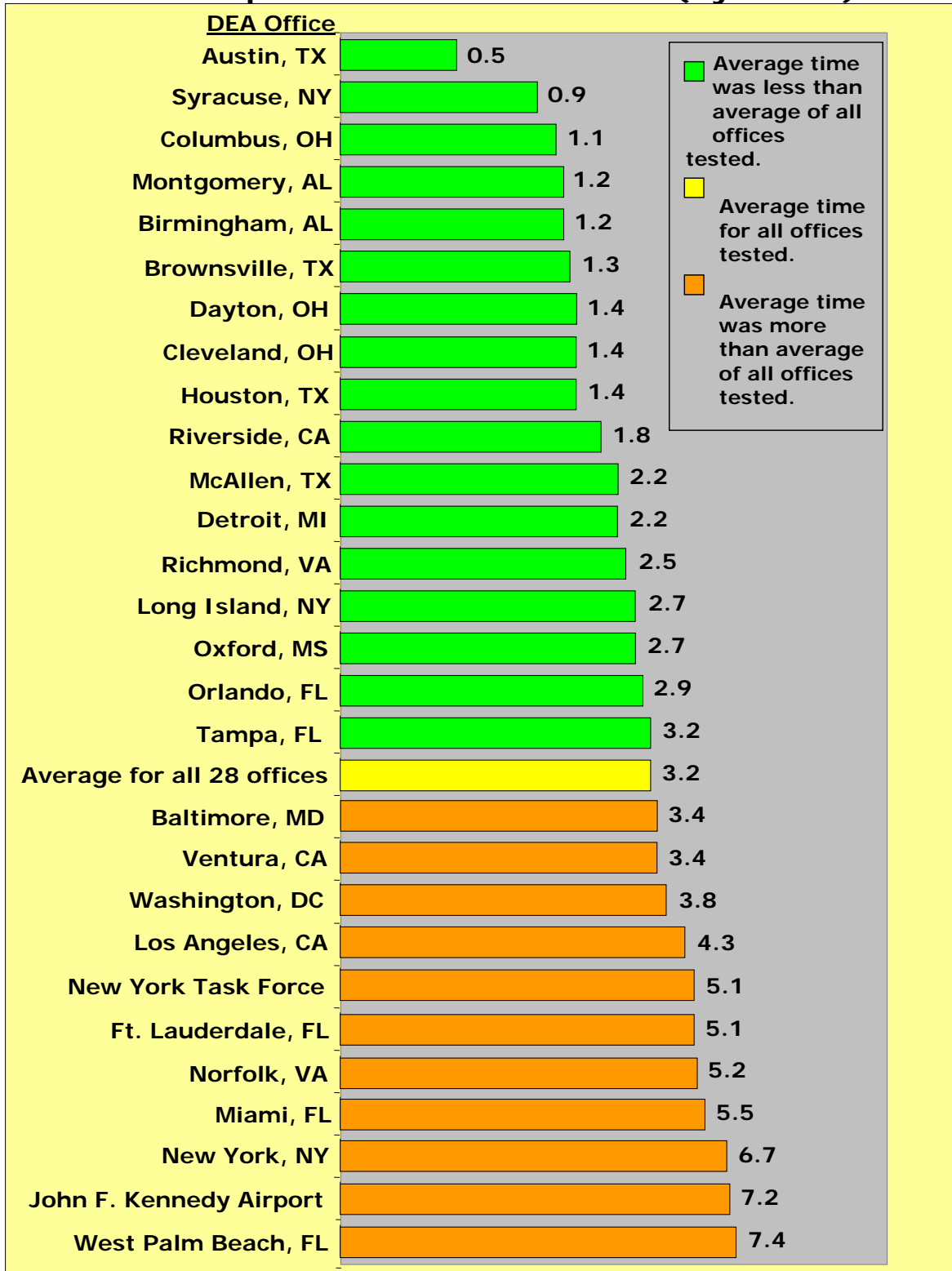
Source: OIG analysis of DEA records

Recording Seized Cash in the HVSRM Ledger



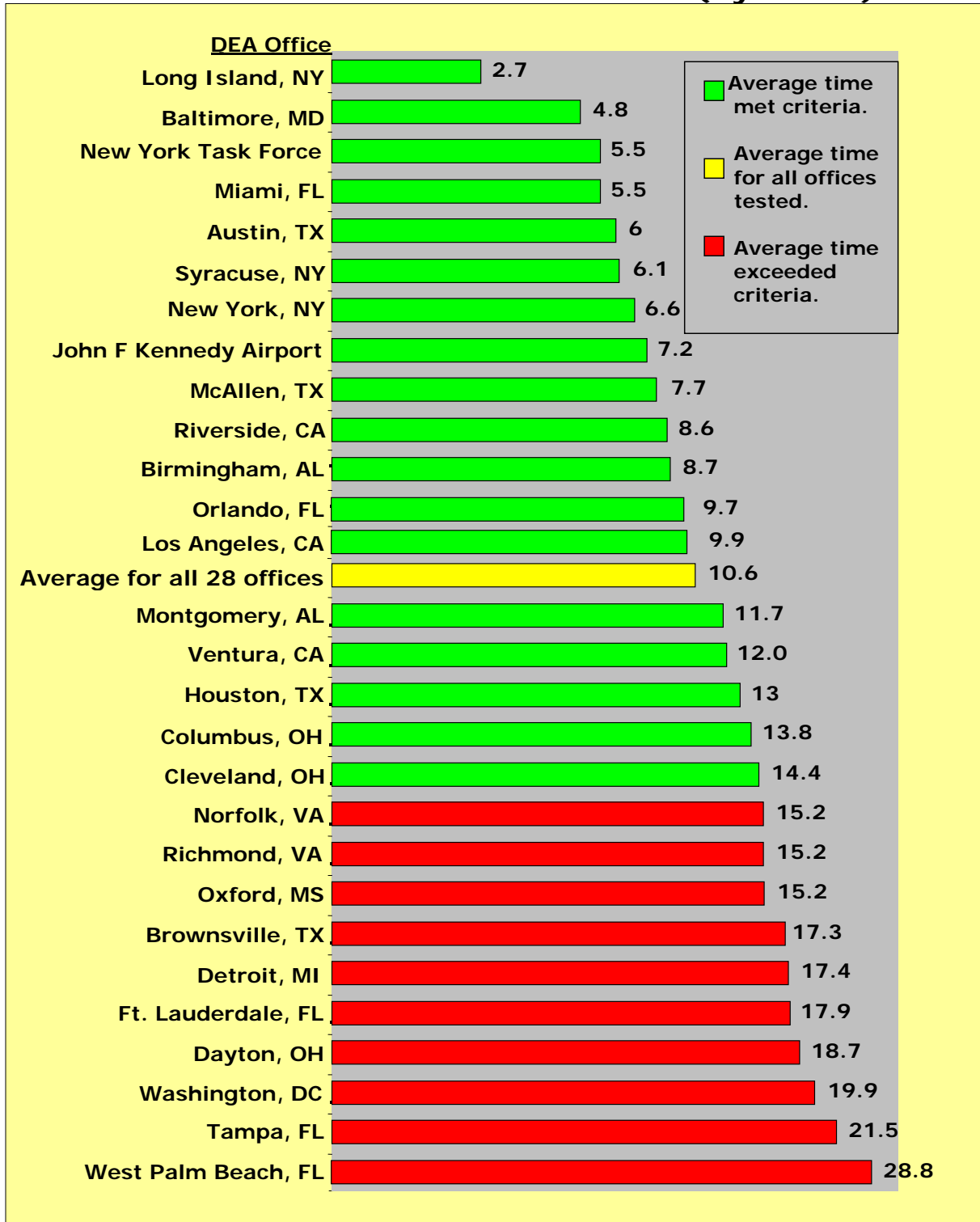
Source: OIG analysis of DEA records

Average Number of Working Days from Seizure to Transport of Cash to the Bank (By Office)



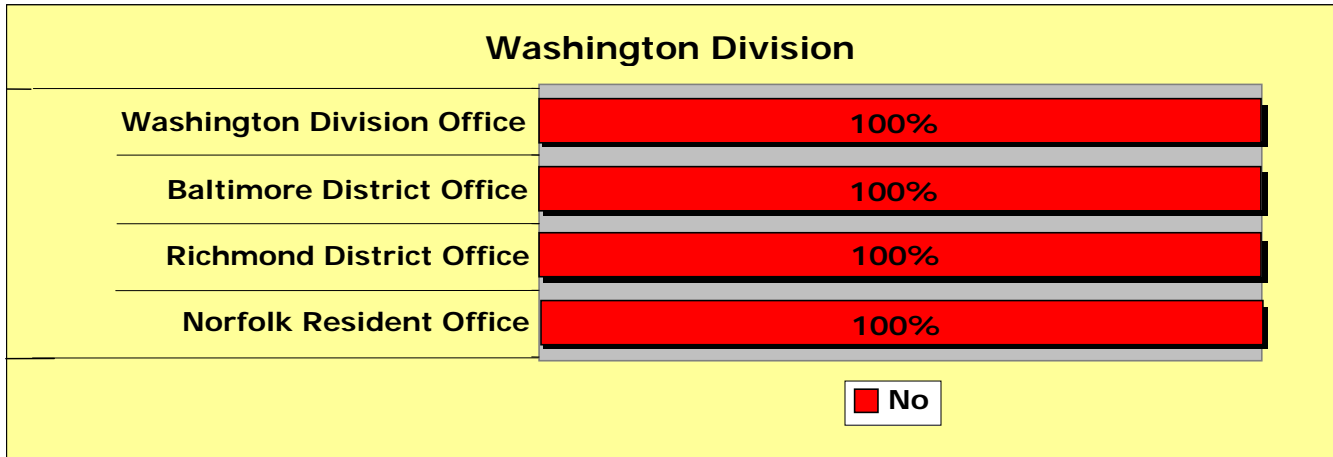
Source: OIG analysis of DEA records

Average Number of Working Days from Seizure to Transfer of Cash to the USMS (By Office)

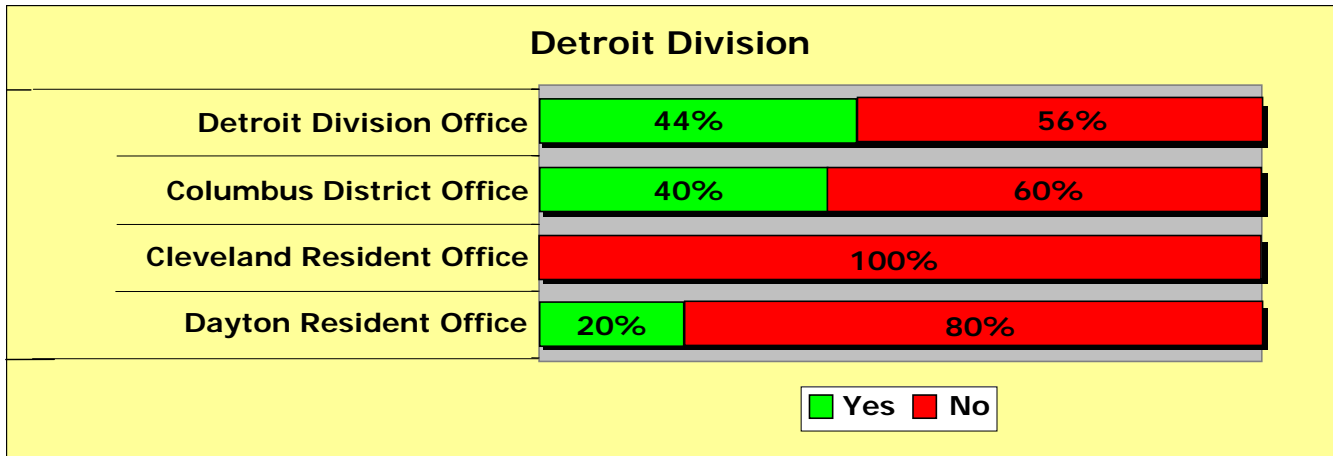


Source: OIG analysis of DEA records

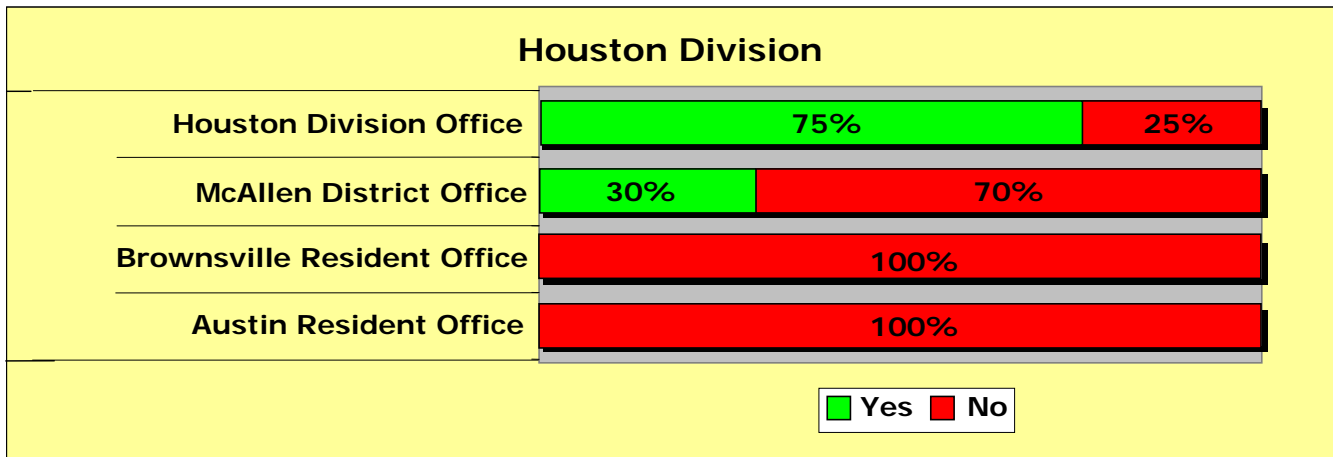
Transferring Seized Cash to the Evidence Custodian Using the Proper Chain-of-Custody Form



Source: OIG analysis of DEA records

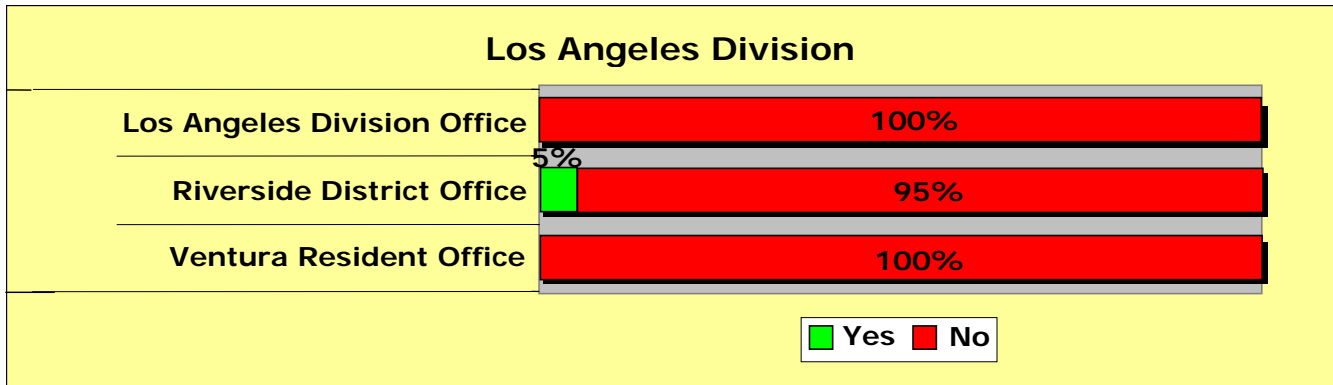


Source: OIG analysis of DEA records

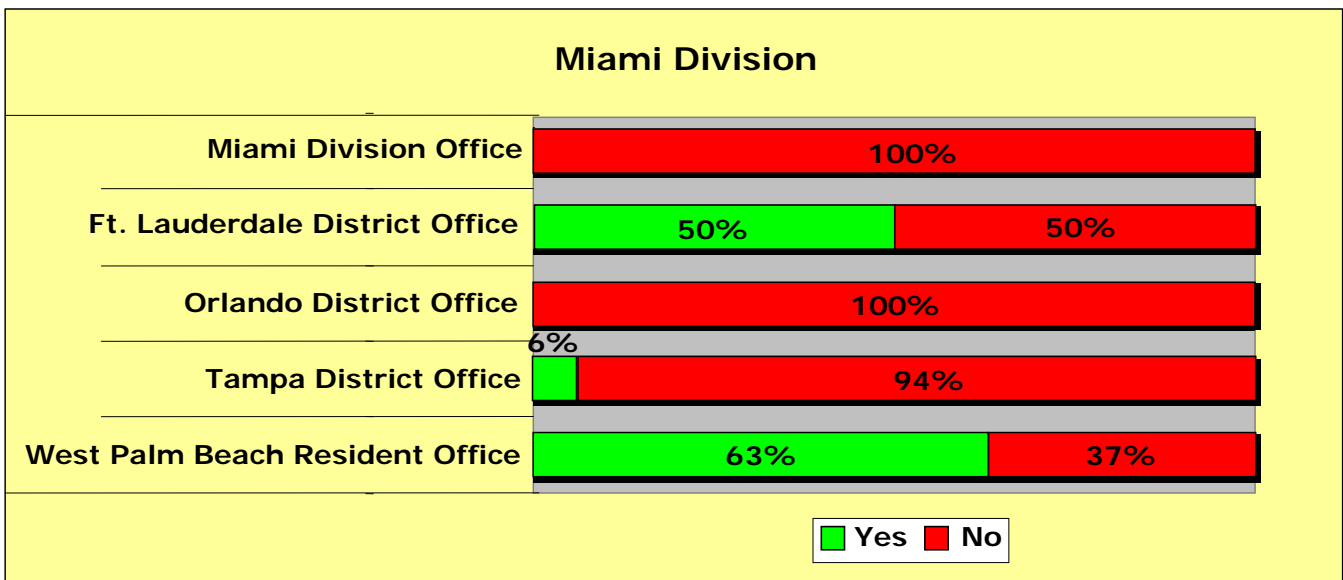


Source: OIG analysis of DEA records

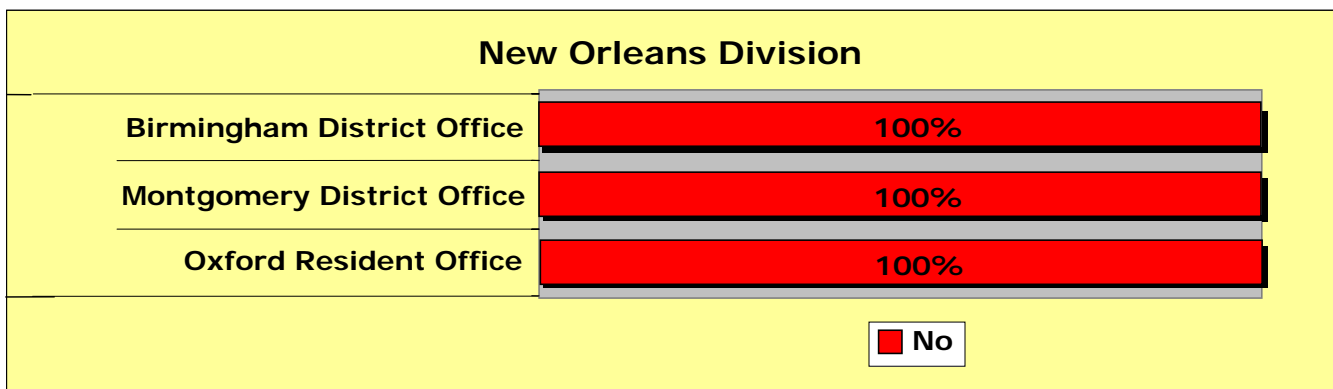
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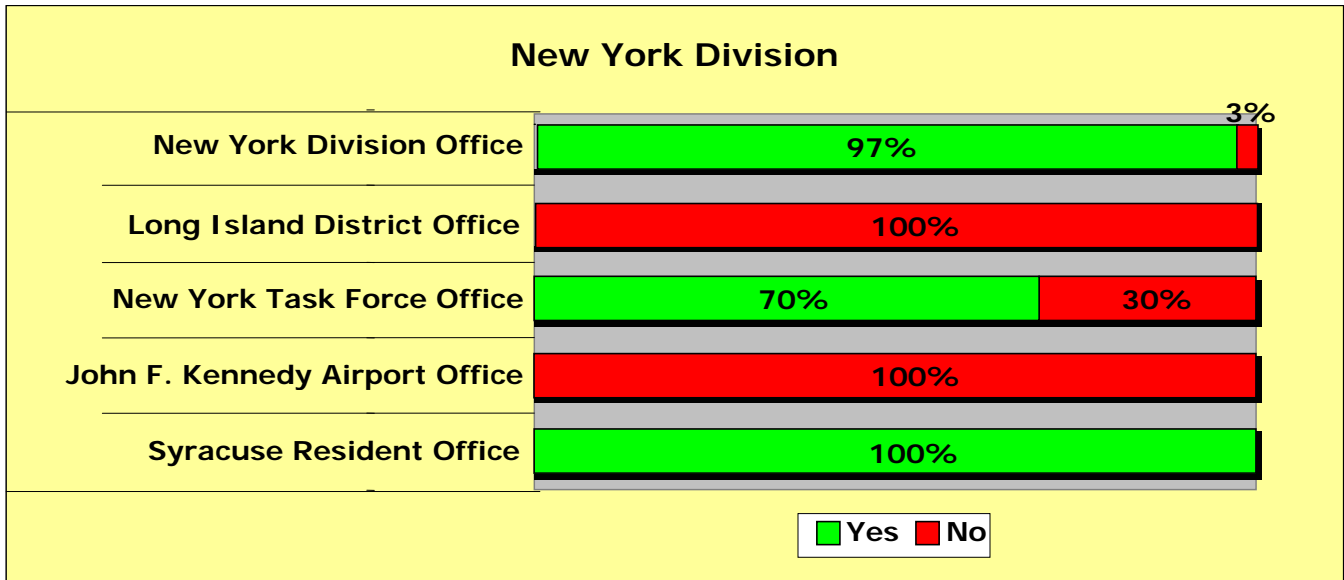


Source: OIG analysis of DEA records



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Transferring Seized Cash to the Evidence Custodian Using the Proper Chain-of-Custody Form



Source: OIG analysis of DEA records

DEA's Response to the Draft Audit Report



U. S. Department of Justice
Drug Enforcement Administration


www.dea.gov

Washington, D.C. 20537

DEC 19 2006

MEMORANDUM

TO: Guy K. Zimmerman
Assistant Inspector General for Audit
Office of the Inspector General

FROM: Gary W. Oetjen, Deputy Chief Inspector
Office of Inspections
Inspection Division 

SUBJECT: DEA's Response to the OIG's Draft Report: *Audit of the Drug Enforcement Administration's Handling of Cash Seizures*

The Drug Enforcement Administration (DEA) has reviewed the Department of Justice, Office of the Inspector General's (OIG) draft audit report, entitled *Audit of the DEA's Handling of Cash Seizures*. We appreciate the opportunity to provide comments on the report and its recommendations.

DEA concurs with recommendations 1 through 6 resulting from this audit and will take steps to implement the recommendations or, where appropriate, explore alternatives to strengthen DEA's High Value Seized and Recovered Monies program (HVSRM). The DEA does not concur with recommendation 7.

DEA regularly evaluates its programs and processes and responds internally to correct noted deficiencies. The OIG report even details DEA's cyclical inspection process of Division offices which cover key program areas, including the handling of seized and recovered monies. Since Fiscal Year 2005, DEA's Office of Inspections (IN) has inspected 5 domestic divisions and issued findings in the HVSRM program. IN also conducted 26 unannounced audits of the HVSRM program in January, August, and September 2006. An additional 6 offices received findings and 20 offices received on-site corrections. DEA is already in compliance with recommendation 7, as inspection procedures are already in place to ensure that controls for counting cash and transporting seized cash to the bank are done in a timely manner. The inspections process and procedures are also reviewed and updated as changes are made to existing DEA policy.

DEA Response to OIG Recommendations:**Recommendation 1: Clarify the policy on counting seized cash and clearly define the circumstances under which it is and is not required to count cash at the time of seizure.**

DEA concurs with the recommendation. DEA is currently in the pilot phase of implementing procedures concerning the use of a self-sealing evidence envelope (SSEE). The SSEE is designed to self-authenticate the chain of custody and ensure that United States Currency (USC) is secured prior to an official bank count. Once the SSEE pilot program is completed, operational policy will change to state that DEA personnel will not count USC before placing the USC in the SSEE. The exception to this policy will be where DEA seizes USC in conjunction with state and local law enforcement agencies, wherein these agencies are required, by internal policy, to conduct an immediate count of the USC. In the event an unofficial count is conducted by DEA personnel, this will be noted in a DEA-6, Report of Investigation.

Recommendation 2: Research best practices associated with timely transport of seized cash to banks, including those in several DEA offices that timely transfer cash to banks, and implement those practices as widely as possible.

DEA concurs with the recommendation. Operational policy will be developed requiring that arrangements be made to transport seized cash to the bank within two-working days of the seizure, unless the seizing office has established protocol, e.g., regularly scheduled appointments, with a financial institution to count seized cash.

Recommendation 3: Ensure that seized cash is wire-transferred to the USMS whenever possible.

DEA concurs with the recommendation. DEA is currently in the pilot phase of implementing new procedures requiring all USC seizures be wire transferred to the United States Marshals Service (USMS) Seized Assets Deposit Fund (SADF). Once this program is approved, policy will dictate that DEA will electronically deposit USC seizures into the USMS SADF, via an Electronic Funds Transfer.

Recommendation 4: Issue to all staff involved in cash seizure activities periodic reminders of the internal controls to be followed and documented, including:

- **documenting that another officer or agent witnessed the seizure of the cash, sealing of the cash in an evidence bag or container, transport of the cash to the DEA office, and transport of the cash to the bank;**
- **documenting the rationale for not counting cash;**
- **documenting the receipt provided to the suspect from whom cash was seized;**
- **recording cash seized in the HVSRM ledger; and**
- **documenting the transfer of cash to the evidence custodian on a DEA-12 or other appropriate form;**

DEA concurs with the recommendation. IN conducted an inspection of the seized and recovered monies program in FY 2006 and found similar issues consistent with this OIG recommendation. IN

has been in discussion with the Office of Training and OM to issue reminders of internal controls procedures to be followed relative to the HVSRM program. OM will coordinate with the Office of Training to incorporate this instruction in Basic Agent Training, Advanced Agent Training, Basic Asset Forfeiture Training, Financial Investigations Seminar, Money Laundering Seminar, Basic Asset Forfeiture Contractor, Advanced Asset Forfeiture Contractor, Headquarters Asset Forfeiture Contractor, Group Supervisor Institute, and Supervisor In-Service Program.

Recommendation 5: Instruct DEA staff who supervise cash handling activities to monitor documentation such as the Report of Investigation (DEA-6) and other cash handling forms completed by agents to ensure the forms are sufficiently detailed to show cash handling controls are followed. In addition, instruct the supervisors to ensure that the required forms are maintained in the case files.

DEA concurs with the recommendation. The Agents Manual subchapter 6654 was recently revised to include that a detailed description of surrounding circumstances be included in the custody of evidence section of all reports. OM will coordinate with the Office of Training to incorporate this instruction in the Group Supervisor Institute curriculum.

Recommendation 6: Identify all evidence custodians who have not attended the DEA's comprehensive classroom training course that includes training on cash handling controls. Ensure these custodians receive the appropriate training.

DEA concurs with this recommendation. Policy will state that all Evidence Custodians must attend the formal training provided by the Office of Training (TR). Section 6681 has already been revised to incorporate this language and should be approved and published within the next 30 days. In addition, OM will advise TR to revise the invitational teletype stating that this training is mandatory for all evidence custodians.

Recommendation 7: After the DEA clarifies its policies on counting cash and implements best practices for timely transferring cash to banks, ensure that inspection procedures are revised to include steps to measure DEA's implementation of the controls established for counting cash and for transporting seized cash to the bank in a timely manner.

DEA does not concur with this recommendation. The Office of Inspections (IN) currently conducts a comprehensive review of the Seized Monies program. As part of this review, IN utilizes inspection checklists that reflect current DEA policies and procedures at the time of its review. As policy changes occur, checklists are updated to reflect said changes, thus measuring overall compliance to program. Based on established DEA policy and the information provided herein, DEA is in compliance with this recommendation and requests that it be closed.

DEA will continue to keep OIG apprised of its actions to implement the report's remaining recommendations. If you have any questions regarding this information, please contact Janice Hewitt, Audit Liaison, at 202-307-5411.

Office of the Inspector General, Audit Division, Analysis and Summary of Actions Necessary to Close the Report

We provided the draft report to the DEA for comment. The DEA's response, included in this report as Appendix XI, agrees with six of our seven recommendations and proposes corrective action sufficient to resolve the six recommendations. The DEA disagrees with our last recommendation and therefore the recommendation is unresolved. Our analysis of the DEA's response to the recommendations is provided below.

1. **Resolved.** We recommended the DEA clarify its policy on counting seized cash and clearly define the circumstances under which cash should be counted. The DEA agreed and stated that it is in the pilot phase of implementing procedures to use a self-sealing evidence envelope designed to self-authenticate the chain of custody of seized currency and ensure the currency is secured prior to an official count. The DEA stated that once the pilot program is completed, it will change its operational policy to state that DEA personnel will not count seized currency before placing it in the self-sealing evidence envelope, unless the DEA seizes currency in conjunction with state and local law enforcement agencies and these agencies are required by local policy to conduct an immediate count of the currency. The DEA further stated that if an unofficial count of the currency is conducted by DEA personnel, the count will be noted in a DEA-6, Report of Investigation. The recommendation can be closed when we receive documentation showing the DEA has developed and issued the stated policy.
2. **Resolved.** We recommended the DEA research best practices associated with timely transport of seized cash to banks and implement those practices as widely as possible. The DEA agreed and stated that it will develop operational policy requiring that arrangements be made to transport seized cash to the bank within 2 working days of seizure, unless the seizing office has established a protocol such as regularly scheduled appointments with a financial institution to count seized cash. The recommendation can be closed when we receive documentation showing the DEA has developed and issued the stated policy.
3. **Resolved.** We recommended the DEA ensure that seized cash is wire-transferred to the USMS whenever possible. The DEA agreed and stated that it is in the pilot phase of implementing new procedures requiring that all United States currency seizures be wire-transferred to the

USMS's Seized Assets Deposit Fund. The DEA stated that once the program is approved, policy will be established to formalize this requirement. The recommendation can be closed when we receive documentation showing the DEA has developed and issued the stated policy.

4. **Resolved.** We recommended the DEA issue to all staff involved in cash seizure activities periodic reminders of the internal controls to be followed and documented. The DEA agreed and stated that its Office of Inspections recently conducted an inspection of the DEA's seized and recovered monies program and found similar issues consistent with this recommendation. The DEA stated that it plans to issue reminders of the internal control procedures to be followed to the High Value Seized and Recovered Monies Program participants and that appropriate instructions will be incorporated into multiple training courses, seminars, and programs. The recommendation can be closed when we receive documentation showing the DEA has issued the reminders stated and incorporated similar instructions in the training courses, seminars, and programs stated in its response.
5. **Resolved.** We recommended the DEA instruct DEA staff who supervise cash handling activities to monitor documentation completed by agents to ensure the forms are sufficiently detailed to show cash handling controls are followed. We also recommended the DEA instruct supervisors to ensure that the required forms are maintained in the case files. The DEA agreed and stated that it recently revised subchapter 6654 of the Agents Manual to require that a detailed description of the surrounding circumstances be included in the custody of evidence sections of all reports. The DEA stated that it will also incorporate this instruction in the Group Supervisor Institute curriculum. The DEA's planned actions will address this recommendation in the long-term. However, until supervisors receive the revised Group Supervisor Institute curriculum training, interim instructions should be issued to the supervisors to ensure that the required forms are sufficiently detailed and maintained in the case files. The recommendation can be closed when we receive documentation showing the DEA has incorporated the stated instructions in the Group Supervisor Institute curriculum and issued interim instructions to supervisors to ensure that the required forms are sufficiently detailed and maintained in the case files.
6. **Resolved.** We recommended the DEA identify all evidence custodians who have not attended the DEA's comprehensive classroom training course and ensure the custodians receive the appropriate training. The DEA agreed and stated it has revised Section 6681 of the Agents Manual

to require that all evidence custodians attend formal training provided by the Office of Training. The DEA stated the revised policy should be approved and published within 30 days. The recommendation can be closed when we receive documentation showing the DEA has issued the stated policy.

7. **Unresolved.** We recommended the DEA ensure that inspection procedures are revised to include steps to measure DEA's implementation of the controls established for counting cash and for transporting seized cash to the bank in a timely manner. The DEA disagreed and stated that it is already in compliance with this recommendation. The DEA stated that its Office of Inspections already conducts comprehensive reviews of the Seized Monies program and utilizes an inspection checklist that reflects current DEA policies and procedures at the time of the reviews. The DEA stated that as policy changes occur, the checklists are updated to reflect the changes and used to measure overall program compliance.

We disagree that the DEA is already in compliance with this recommendation. Our audit work showed that all the DEA offices we visited, except the Los Angeles Airport Group Office, had significant non-compliance with the DEA's cash counting policy. In addition, many of the offices we visited took much longer to transfer seized cash to the bank than other offices. However, none of the 11 DEA Office of Inspections' reports provided us by the DEA, including reports on 4 of the DEA divisions that we visited, disclosed any problems with DEA offices following the cash counting policy or transporting seized cash to the bank untimely. If the DEA was in compliance with this recommendation, it should have identified the deficiencies we identified and made recommendations to correct the deficiencies. This recommendation can be closed when we receive documentation showing that the DEA has ensured that its inspection procedures include steps to measure the DEA's implementation of the controls established for counting cash and for transporting seized cash to the bank in a timely manner.